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Intel and Microsoft
The whole world in their hands?
Page 13



Credit Suisse First Boston
Why Mulford's accession may lead to big change
Page 15



Edzard Reuter
Time for revolution at Daimler-Benz
Page 30

Trade with China
Why Gatt entry isn't open and shut
Page 12



FINANCIAL TIMES

Europe's Business Newspaper

MONDAY MARCH 8 1993

D8523A

Tokyo may adopt new approach to trade with US

Japan plans to adopt a new approach to trade policy with the US, based on formal rules and procedures for settling trade disputes rather than political deals, according to Japan's top trade negotiator, Noboru Hatakeyama.

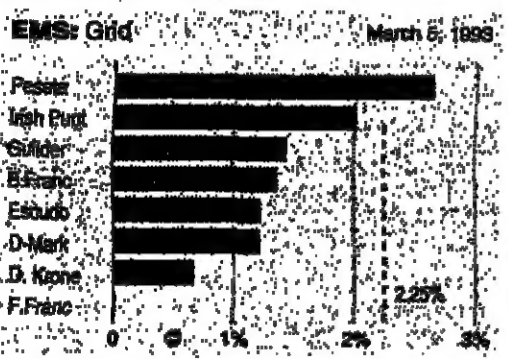
He said Japan wanted to eliminate emotion and politics from the settlement of trade disputes. "We have given a lot of consideration to US industry, we accepted their request to come up with an import goal for semi-conductors. From now on, we want a trade policy governed by rules set by Gatt. Page 14. Clash of big battalions, Page 5; Kanemaru quizzed on 'tax evasion', Page 5; Observer, Page 13

Glaxo, Europe's biggest drugs group, has been accused by the US Food and Drug Administration of making false and misleading statements about Zantac, the world's best-selling medicine with annual sales of about \$2bn. Page 15

BT plans US operations British Telecom plans this week to apply to US authorities for permission to operate domestic and international telephone services in the US. The application is expected to face stiff opposition from BT's US competitors, AT&T, Sprint and MCI. Page 14

Barclays Bank chief pledges change Andrew Buxton, chairman and chief executive of Barclays Bank, responded to investors' criticism by promising that "a significant part" of his responsibilities would be passed to a new senior executive this year. Page 14

European Monetary System The French franc is still trading at the bottom of the European exchange rate mechanism grid despite Germany's recent cut in money market interest rates. The cut of almost a 1/4 point in the rate at which the Bundesbank provides wholesale funds to commercial banks may have prevented the French franc falling below FF13.40 to the D-Mark at the end of last week. But the franc's divergence from its central rate against the Ecu increased over the course of last week from -43 percentage points to -46. The Spanish peseta remains at the top of the grid. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS, the Italian Lira. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Cult siege stand-off continues Efforts to end the eight-day siege in Texas, US, by 400 FBI agents of a farm compound containing cult leader David Koresh and around 100 people, reached a stalemate.

Banks' Bombay exposure raises The total problem exposure of banks involved in the Bombay securities market scandal is Rs40.2bn (\$1.24bn), or Rs4.8bn larger than originally estimated, according to the Reserve Bank of India. Page 4

Kenya reforms at risk Bold steps by the Kenyan government to liberalise its economy were in jeopardy after International Monetary Fund officials failed to agree a provisional deal that would allow restoration of foreign aid. Page 4

Afghans sign peace accord Afghanistan's rival leaders signed an agreement in Islamabad, Pakistan, to end factional fighting which has killed thousands of civilians since they overthrew the former communist government last April but postponed deciding the new cabinet for 15 days. Page 4

Thomas Cook, the travel agency and financial services group, was considering final details of a tender offer for shares in Owners Abroad, the tour company fighting a hostile bid from rival Air Tours. Page 15

MTV Europe, the UK-based satellite rock music channel, is producing revenues of \$60m-\$70m a year. The hitherto undisclosed figures are at least double what analysts believed. Page 15

American Express, the US financial services group, is planning to sell more than half its majority stake in First Data Corporation, in a disposal that could bring \$1.2bn into American Express, which saw a profits setback last year. Page 17

UK government braced for treaty defeat The UK's ruling Conservative party was last night braced for the possibility of a parliamentary defeat over the Maastricht treaty on European unification. Page 6

Swiss vote on petrol and casinos Swiss voters backed an increase in petrol tax and the legalisation of casinos. A proposal to ban medical experiments on animals was substantially rejected.

Warning on German standing in Nato Germany's credibility and reliability within Nato was being questioned by its allies, General Klaus Naumann, chief of the armed forces, warned.

Italians angered by decrees on illegal funding

By Haig Simonian in Milan

ITALY'S judiciary and opposition parties reacted with hostility yesterday to a cabinet decision which would sharply reduce the political impact of the corruption investigations sweeping the country.

Mr Francesco Saverio Borrelli, the chief public prosecutor in Milan, the city where investigations began, said the result of the cabinet's decrees would be "the

total paralysis of the investigations and the impossibility to discover the facts of who was responsible".

Mr Carlo Ripa di Meana, environment minister, last night resigned from the government to show his opposition to the decision. Mr Ripa di Meana, who resigned from the Socialist party last month, is the fourth minister to have quit in less than a month.

Mr Gerardo D'Ambrosio, dep-

uty public prosecutor in Milan, the city where investigations began, said "the public will find it difficult to accept that those being accused should decide to let themselves off".

He added: "What we've done, and what they don't tolerate, is that we've reached a trigger point, we've got to the heart of the system".

The decrees, approved by the cabinet on Friday night, would transfer responsibility for investi-

gating illegal political funding from magistrates to politically appointed regional prefects. They would also make the offence punishable by fines and prohibition from elected office, rather than by prison.

The plans represent an attempt to distinguish the widespread practice of illegal funding from the more "serious" crimes of demanding and paying bribes, which would remain criminal offences.

Magistrates in Milan met yesterday to consider the implications of the decrees, which would absolve many of the politicians now under scrutiny. A spokesman for the national magistrates' association expressed concern about the measures and the use of decrees to push them through. The strength of the opposition to the government's plans, broadly reflected in leading newspapers, suggests ministers will face a hard time obtaining the

necessary support for the proposals, which can become law immediately but must subsequently be backed by parliament.

Even some members of the four-party governing coalition expressed disquiet. Mr Mino Martinazzoli, leader of the majority Christian Democrats, said he was uneasy about the constitutional

Continued on Page 14
Italian steel subsidies threatened, Page 14

Germany's far right makes big gain in polls

By Christopher Parkes in Frankfurt

GERMANY'S extreme right-wing Republicans stole votes from mainstream parties to make sweeping gains in local and city elections in the state of Hesse yesterday.

The results stunned the Social Democrats (SPD), and gave an unexpected lift to Chancellor Helmut Kohl's Christian Democrats (CDU), especially in large cities.

Against all expectations, the SPD share of the vote slumped by 7 per cent, while the CDU lost only about 2 per cent of its support, according to early estimates.

The CDU displaced the SPD as the largest single party in the Frankfurt and Kassel city councils, exit polls showed.

In Frankfurt, the largest and richest city in the state, the Republicans, led by Mr Franz Schönhuber, a former SS officer, took 10 per cent of the vote. In one depressed part of the inner city they gained 14 per cent.

The CDU, which won 31 per cent against the SPD's 31 per cent share, ruled out any coalition with the Republicans. The likely outcome appeared to be a governing coalition comprising SPD, CDU and the Greens, the environmental party.

Fewer than 70 per cent of voters went to the polls, compared with a 77 per cent turnout in the last election in 1989. Statewide, the Republicans collected an estimated 7.7 per cent, compared with less than 1 per cent for far-right parties last time.

However heartening for the embattled Mr Kohl, the result -

in one of the richest German states - will fuel domestic and international fears about the rise to respectability of Germany's extreme right wing.

The result is likely to concentrate efforts by the government and opposition in Bonn to fill the political vacuum at the centre before next year's wave of state, European and federal parliamentary elections.

The ruling coalition and opposition are at present hopelessly divided on a range of issues, including a solidarity pact to pay for German unification and the asylum seekers. Voters are also increasingly anxious about the economy's slide into recession and rising unemployment.

While the Republicans gained support for their policies of containing immigration and deporting "criminal foreigners", other smaller parties also benefited from protest votes.

The Greens, which are not currently represented in the federal parliament, increased their support in Frankfurt from around 10 per cent to almost 15 per cent.

The Liberal Free Democrats failed to take enough votes to gain representation on the city council, but they improved their standing statewide with an estimated 6 per cent of the vote.

The Republicans, which put up candidates in 22 of 28 areas, compared with two in the 1989 election, are expected to take 11 seats in the Frankfurt council.

The party overcame public disapproval which forced it to limit its electioneering.

Lex, Page 14

UN steps up efforts to aid Moslems in Bosnia

By Laura Silber in Belgrade

UNITED NATIONS officials will make renewed efforts today to get emergency relief to thousands of Moslem refugees trapped by fighting in eastern Bosnia.

They are due to hold negotiations with Bosnian Serb commanders on the evacuation of the wounded from Konjevic Polje, a Moslem enclave in eastern Bosnia-Herzegovina, and the despatch of relief to nearby Srebrenica, whose population has doubled to 60,000 with refugees seeking sanctuary despite worsening conditions in the town.

General Philippe Morillon, commander of UN forces in Bosnia, is expected to meet General Ratko Mladic, Bosnian Serb commander, and General Sefer Halilovic, Bosnian army chief, in Sarajevo to try to arrange a ceasefire in eastern Bosnia and send in UN military observers.

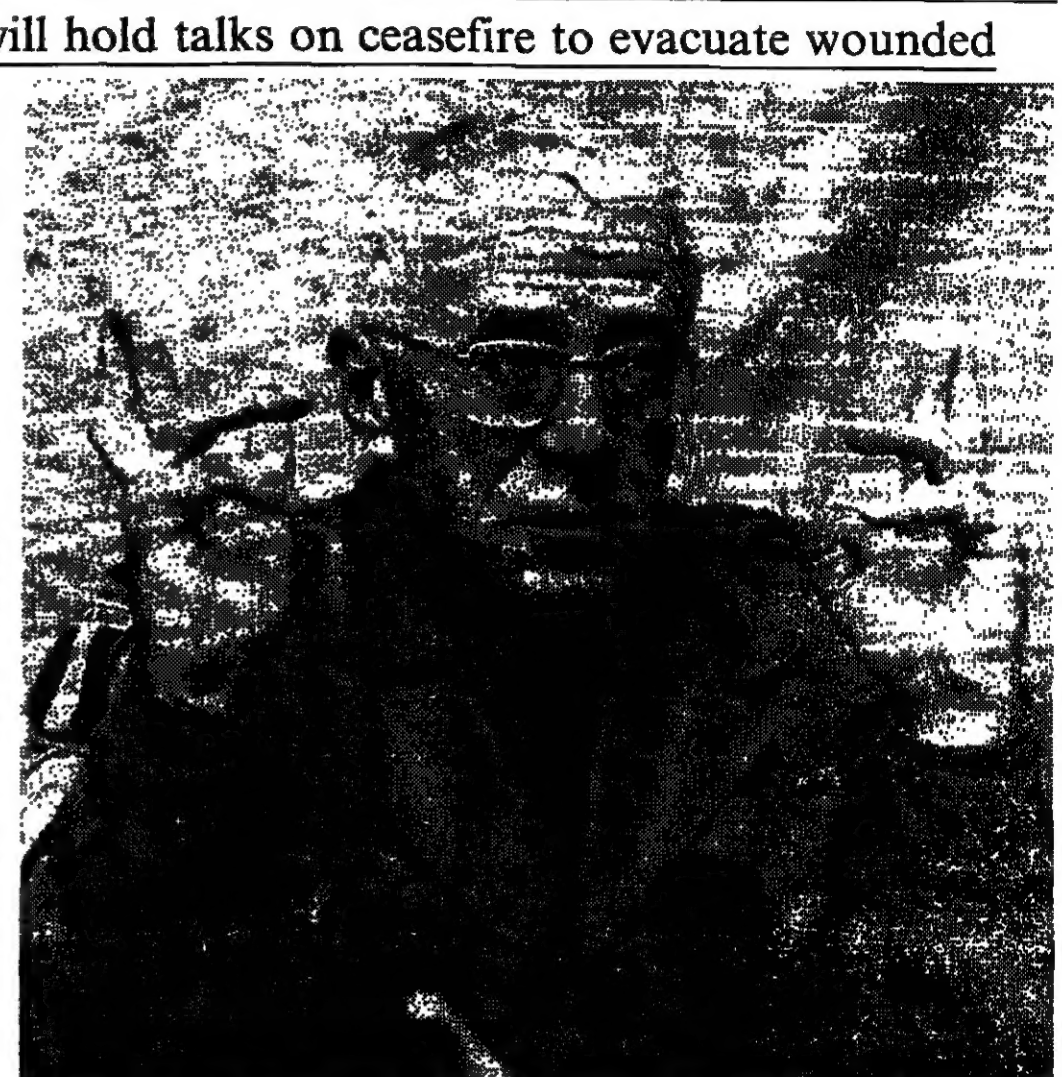
While UN officials press for the evacuation, Serb commanders are trying to link any agreement with an exchange of Serbs from Moslem-held regions of Bosnia.

Amid reports of dire conditions in Srebrenica, six US aircraft early yesterday parachuted 38 tonnes of food and medical supplies over the enclave.

A doctor of the World Health Organisation who got to Srebrenica on Saturday said about 2,000 people were reported to be sick and wounded in the town above the River Drina.

Dr Simon Mardel estimated that 200 seriously wounded people needed to be evacuated urgently and that an additional 9,000 women, elderly and children were seeking safe passage.

"This is the worst situation brought to my attention since I



Gen Philippe Morillon, UN commander in Bosnia, addresses a press briefing after returning from Cerka came to former Yugoslavia in July," Sir Donald Acheson, WHO special representative, said after hearing Dr Mardel's report.

Gen Morillon, after crossing Serb lines on Saturday on a fact-finding mission to Cerka, said there did not appear to be evidence of atrocities.

Amateur radio operators in Bosnia last week said hundreds of Moslems had been killed when Serb forces seized the town.

"We have seen evidence where most of the houses were shelled or burned but I did not see any evidence of massacres," Gen Morillon said. Bosnian Serb forces have blocked relief agencies from reaching Cerka since the war began.

Relief workers said at least 175 wounded and sick needed to be evacuated urgently from Konjevic Polje.

Local leaders say the hamlet's population has swollen to 35,000 people, half of whom are refugees from Cerka. Konjevic Polje was the target of the US air-drop for two nights last week. Mr Laurens Jolles, of the UNHCR, said: "The brown packages were everywhere. Many people were chewing gum. The name Clinton was on everybody's lips."

Bosnian talks in balance, Page 3
A brief to build bridges, Page 12

British supercomputer sale to US laboratory sparks row

By Louise Kehoe in San Francisco and Alan Cane in London

A ROW is brewing in the US over the decision of one of the country's top weapons laboratories to purchase a supercomputer from the US subsidiary of Meiko Scientific, a little-known British-owned company.

The US Energy Department's Lawrence Livermore Laboratory, in Berkeley, near San Francisco, has agreed to purchase a \$15m supercomputer from Meiko, choosing the British-owned company's product over those of several US competitors.

Supercomputers are used widely in weapons research, geological exploration and meteorology. Meiko is believed to be the only non-US-owned company to sell a supercomputer to a US government laboratory for 30 years.

The decision comes only two weeks after President Bill Clinton unveiled a technology policy which includes plans to boost the

competitiveness of US companies by encouraging greater collaboration between industry and the national laboratories.

Meiko was founded in 1985 by six computer engineers from Immos, the innovative UK state-backed silicon chip manufacturer which invented the "transputer" computer-on-a-chip.

Its fastest machine, which can carry out 1,000bn calculations a second, has a list price of \$50m, although none has yet been sold. The company has sales of about \$20m a year and funds research and development out of income.

US supercomputer manufacturers have previously regarded Japanese companies as their chief competitors, and the Meiko deal has shocked US industry executives who are expected to protest against the sale.

US supercomputer companies have successfully argued that government laboratories should not purchase Japanese supercomputers, saying the Japanese government market is closed to

imports. Such arguments cannot, however, be applied to a British-owned company since US companies dominate the European supercomputer market.

However, the sale may raise concerns about supercomputer export controls. While the US and Japan have agreed to limit sales of supercomputers to foreign governments because the computers can be used in the development of nuclear weapons, Europe has not so far agreed to such limits.

Already, Meiko's export record has been brought into question, especially a sale to Israel in 1991 which would have been forbidden to US companies.

Mr David Alden, president of Meiko Scientific, denied his company has a "bad export record". But by raising the spectre of uncontrolled supercomputer exports, US competitors are certain to get attention in Washington.

Intel and Microsoft reinforce their dominance, Page 13

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Austria	Sch20	Greece	Dr300	Lux	LP60	Oster	OR15.00
Bahrain	Dm1.250	Hungary	Fl172	Malta	ML20	S. Arabia	SRI1
Bulgaria	Lev2.00	India	Rs40	Mexico	MXN13	Singapore	S\$4.10
Cyprus	CY10	Israel	Sh50.00	Norway	Nkr10.00	Slovak Rep	Kcs45
Czech Rep	Kcs45	Japan	Y120	Poland	PLn20	Spain	Ptas200
Denmark	Dkr15	Korea	Won250	Philippines	Ps45	Sweden	Skr15
Egypt	E£1.50	Lebanon	US\$1.25	Portugal	Esc215	Switzerland	Sfr5.20
Finland	Fmk10	Qatar	Riyal3.75	Saudi Arabia	SAR10	Taiwan	Nt\$20
France	FFr4.50	Ukraine	Hryvnia1	Turkey	Lira10	Thailand	Bht50
Germany	Dm3.00	Yemen	Riyal20	UAE	Dh11.00		

NEWS: INTERNATIONAL

Danes try to break HDTV logjam

By Andrew Hill in Brussels

EC MINISTERS may be asked to rewrite a hard-won compromise on advanced television standards as part of a Danish attempt to unblock the EC's strategy on high-definition television.

Revision of existing legislation - agreed in December 1991 after 15 hours of ministerial debate - would further dilute the EC's original standards-based strategy for developing cinema-quality television in Europe.

However, outline proposals being prepared by Denmark, which holds the EC presidency, have not yet gone far enough to attract the support of the UK.

Britain is blocking the European Commission's much-diluted Ecu500m (£413m) HDTV funding plan on the grounds that the spending is not justified. Britain believes so-called "Mac" technology backed by the EC will soon be overtaken by digital HDTV under development in the US.

Denmark has yet to receive any hint that the UK will relax its position. The Danes want to schedule a special early meeting of telecommunications ministers and avoid the scheduled May meeting, which is being overshadowed by rows on HDTV.

The directive agreed in December 1991 dictates that only one intermediate standard - called D2-Mac - can be used for wide-screen television broadcasts in the EC. Wide-screen television sets must also be built to receive D2-Mac transmissions. So far, Commission proposals for funding have reflected that obligation.

But Denmark's compromise would allow funding for other wide-screen standards and probably require the original directive to be broadened, to the benefit of rival intermediate technologies such as PAL-plus, which is being developed by a consortium of European broadcasters and manufacturers.

Daimler-Benz set for China expansion

By Christopher Parkes in Frankfurt

DAIMLER-BENZ, the German automotive, aerospace and engineering group, is considering opening a bus assembly factory near Shanghai in China and setting up a local joint venture to make rolling stock for underground railway networks.

The opportunities opened up during a recent tour of the Far East, when executives examined a possible site for the bus works close to the Yangtze river.

"It was the most exciting trip I have

undertaken in all my years at Daimler," one participant said.

The visit reflected growing interest among German companies in the region - China in particular - and widespread determination that Japanese industry should not be allowed to over-run the market unopposed.

It also demonstrated Daimler-Benz's new strategy of exploring every possibility of extending manufacturing outside Germany and developing new markets.

This policy is being driven partly by

the need to overcome the exchange rate disadvantages inherent in exporting from Germany.

For example, the group board will decide this year whether to manufacture its planned Mercedes-Benz leisure vehicle in the US. According to Mr Edzard Reuter, chairman, there is a "fair chance" that a new plant will be given the go-ahead.

Meanwhile, the company will soon start assembling a small number of cars in Mexico, and has recently signed a joint venture to make cars in Korea.

In a separate development, Siemens, Germany's largest electrical group, has taken a 49 per cent stake in a telephone distribution and service joint venture with TN Inc of Bangkok. The new company, TN Communications Systems, aims to win a 25 per cent market share.

Siemens also recently founded a joint venture in Shanghai to make and distribute telephone switchboards.

South-East Asian telecommunications markets are growing by more than 10 per cent a year compared with

the world average of 3 to 4 per cent. German exports to China grew last year by a record 49 per cent to more than DM5.5bn (\$3.31bn), while the country's leading exporters said their shipments to Malaysia, Indonesia and Singapore rose by more than 10 per cent.

According to the Hamburg-based East Asia Association, the improvement in these markets more than offset a 10 per cent fall in exports to Japan last year.

Interview with Daimler-Benz chairman, Back page, Section II

Number's up for Bonn and Weimar

By Judy Dempsey in Berlin

NOT only history and John le Carré have immortalised Weimar and Bonn. Both happen to share the same post code: 5300. But not for much longer, if an ambitious plan by the German post office is implemented as scheduled on July 1.

On that day the two separate post codes of the two Germanys will be superseded by a new system aimed at making the postal service more efficient and faster.

Mr Norbert Schäfer, a post office official, said it was only a matter of time before the two systems had to be harmonised. "The west German postal codes system was introduced in 1961 (the year the Berlin Wall was built). The east German system, which was more rational because it had more post codes which thus covered much smaller areas, was introduced in 1965. But there are 800 towns and cities in east and west Germany which share the same postal code. There's lots of room for error."

Introduction of the new system, at a cost of DM400m (\$240.9m) and after nearly two years' research and testing, involves scrapping the current 5,400 codes and replacing them with 26,000 new ones.

The first casualty will be the suffix placed after every city, town and village, which characterised only the western German system and which denoted a particular district. Instead, all cities, towns and villages will have a prefix only.

For instance, Berlin's trendy Savignyplatz, whose post code is currently W-1000 Berlin 12, will be changed to 10623. "The W [for West], and the 0 [for East] will no longer exist," explains Mr Schäfer. "The first two numbers of the new system will denote the region. The last three numbers denote the post office allocated to your new post code."

Mr Klaus Lammich, an official from the transport and telecommunications department of the Federation of German Industry, says he has received complaints from members, mostly about the cost. "But overall, we accept it because it is necessary."

Quelle, the country's giant retail and mail-ordering service, says the short-term effects will be difficult, but longer term its business should profit from a faster postal service. Mr Eric Jesker, a spokesman for Quelle, says it will cost the company around DM36m to change their entire data system.

"Once July 1 comes, that's it. There's no room for tolerance. There's no room for mistakes. If you use the old post code, your letter will not get delivered," he says. If it works, 5300 Bonn and 5300 Weimar will be another relic of the past.



François Mitterrand: The president will not abandon traditional role in international affairs

Mitterrand to press for emergency G7 summit

By William Dawkins in Paris

PRESIDENT François Mitterrand of France will meet US President Bill Clinton for the first time tomorrow to get to know the new US leader and push for an emergency Group of Seven summit to discuss an international economic growth initiative.

The Washington meeting, to be held a fortnight before the French general election, in which Mr Mitterrand's Socialist party looks set for defeat by the right, seems as much designed to tell French voters that the president plans to keep the upper hand in foreign policy as to forge links with the new US administration.

On March 16 Mr Mitterrand plans to visit Mr Boris Yeltsin, the Russian president, just as the French election campaign enters its last few days before

the first round of voting on March 21.

Mr Mitterrand will press Mr Clinton for an emergency G7 meeting before the July summit in Tokyo, a move supported by Germany, said Mr Jean Musitelli, the president's spokesman.

"What is clear is that the president will be sitting in the front chair" at such international gatherings, he added. France did not plan to abandon its tradition of a single chief in international affairs.

The French president will use the Washington meeting to seek clarification of the US administration's stance on the stalled multilateral trade talks under the General Agreement on Tariffs and Trade. Mr Clinton's recent complaint over subsidies to the European Airbus consortium and US anti-dumping duties on imported

steel are also on his agenda.

At home, the opposition was showing increasing confidence yesterday in its ability to hold its own against Mr Mitterrand in a government of cohabitation between the Socialist president and a right-wing parliamentary majority. Mr Bernard Pons, the parliamentary whip for the conservative RPR party, yesterday warned Mr Mitterrand not to try to block the future government's actions.

At a rally of 30,000 RPR supporters at Le Bourget, north of Paris, Mr Pons accused Mr Mitterrand of handing out top jobs in the public administration to friends, to keep as much power as possible. If the president tried to obstruct the new government, the future prime minister would call repeated confidence motions in the parliament, Mr Pons said.

Italy agrees jobs package

By Haig Simonian in Milan

ITALY'S government is to spend over L7,000bn (£3.2bn) on additional measures for job creation, unemployment benefit and development grants to try to cushion the worsening recession.

The measures will put further strain on public-sector finances, which are already rising above target this year. However, they should go some

way towards meeting union demands for extra help for the unemployed and industries in crisis.

About 40,000 women marched through the streets of Rome at the weekend to protest against the effects of recession, in a demonstration organised by the country's three trade union federations.

The package should pave the way to a new round of meetings between ministers, unions

and employers' representatives to take up proposals on reforms to labour laws outlined in last summer's accord to abolish the *scala mobile* wage indexation system.

The economic package approved by ministers foresees the creation of a L1,650bn national employment fund to stimulate job creation over the next three years. About L3,500bn will go on re-industrialisation projects.

Swiss voters show signs of human weakness

By Ian Rodger in Zurich

THE Swiss have long prided themselves on having such a strong civic sense that they will even vote for tax increases.

Yesterday, true to form, 55.2 per cent of those voting in a referendum approved an increase in fuel taxes that will raise petrol prices by 20 centimes (5p) per litre.

But some Swiss see this, and the positive outcome of another vote yesterday, on legalising gambling casinos, as evidence of a less admirable and perhaps ominous trend among their countrymen.

According to this view, these votes show that the Swiss are becoming more like everyone else. They would rather let the government tap new and relatively painless sources of income than have it cut services to reduce its bloated deficit.

The Swiss federal government's deficit has soared in the past two years, reaching SF2.86bn (£1.3bn) last year, about one per cent of gross

domestic product. Rising welfare payments and revenue shortfalls caused by the recession mean that this year's budget deficit of SF3.3bn will be substantially exceeded, Mr Otto Stich, the finance minister, has predicted.

Mr Stich tried hard last

Some see an ominous trend developing

autumn to win his colleagues' support for swingeing spending cuts. When he failed, he proposed the two revenue raising measures that were approved yesterday.

Mr Stich said that the petrol tax would add SF1.3bn a year to federal coffers, while still leaving Swiss petrol prices lower than those in neighbouring countries.

He claimed casino legalisation would merely bring Switzerland in line with other European countries, but opponents argued that their coun-

try did not need another institution for money launderers to test.

Mr Stich believes the government, which proposes to take 80 per cent of casinos' gross revenues, will raise about SF150m a year from this source, but it is unlikely to come quickly. Police forces have warned that neither the potential casino operators nor the law enforcement agencies are competent yet to deal with the kinds of criminals attracted to casinos.

A third national referendum, calling for the total abolition of vivisection, was overwhelmingly defeated, with 72 per cent of those voting opposed. The issue is a frequent one in the Swiss plebiscite lists.

Swiss voters return to the polls in June on two highly controversial topics related to the Swiss army. One petition calls on the people to forbid the army from buying new fighter aircraft for 10 years. The other would reduce the number of battlefield training grounds at the army's disposal.



CONTRACTS FOR THE PURCHASE OF RAW WHOLESALE MILK

The Agriculture Bill, now before Parliament, provides for the abolition of the current arrangements for the marketing of milk in England and Wales through the Milk Marketing Board. Instead it is proposed to create a free market for milk.

Milk Marque is now being established by the Milk Marketing Board in preparation for the free market. As the farmers' milk marketing business, Milk Marque will offer a large pool of milk to fulfil its customers' widely differing requirements. It is currently planned that Milk Marque will start trading from April 1994.

Milk Marque now wants to gauge its customers' likely requirements for milk for the year April 1994 to March 1995. If you are considering purchasing milk from Milk Marque during this period you can obtain full details of the new arrangements by contacting: Mrs J Tay, Customer Sales, Milk Marque Limited, Giggs Hill Green, Thames Ditton, Surrey KT7 0EL (tel 081-398 4101, ext 2444).

THE CLOSING DATE FOR THIS EXERCISE IS 12 NOON ON FRIDAY 16 APRIL 1993. Customers responding by this date will be given a degree of priority when detailed contract discussions take place later this year.

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Notice is hereby given that the Rate of Interest for the Interest Period from 8th March 1993 to 8th September 1993, is 5 per cent. per annum and that on 8th September 1993 the amount of interest payable in respect of each U.S.\$5,000 principal amount of the Notes will be U.S.\$127.78.

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CONTRACTS & TENDERS

On the commission of Mezőgazdasági Rt. Szolnok (Agricultural Machines Factory Ltd. Szolnok) Incon Tanácsadó Kft. (Incon Consulting Ltd.) invites a tender of two items:

for an investment project
for the sale of the following properties at starting prices specified below:
a/ Site at Hort — HU/79 M.
b/ Factory of lifting machines at Törökvenyimek — HU/58 M.
c/ Site at Kisvöröskút — HU/65 M.
d/ Site at Ilves — HU/86 M.
e/ Site at Cibakháza — HU/69 M.

1. The tender documents are available from March 10, 1993, for a fee of HU/20,000 at the headquarters of Incon Tanácsadó Kft./113 Budapest, Bartók Béla ut 92-94./111/14/

2. The tender documents are available in Hungarian, English and German.
3. The deadlines for presenting the bids are:
a/ Site at Hort — April 5, 1993, 3 p.m.
b/ Factory of lifting machines at Törökvenyimek — April 5, 1993, 3 p.m.
c/ Site at Kisvöröskút — April 6, 1993, 3 p.m.
d/ Site at Ilves — April 7, 1993, 3 p.m.
e/ Site at Cibakháza — April 8, 1993, 3 p.m.

4. The bids should be presented to Incon Tanácsadó Kft./113 Budapest, Bartók Béla ut 92-94./111/14/

5. Bidders are expected to maintain the offers they present for a period of 60 days.
For further information please contact:
Dr. Sándor Pusztás Managing Director
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Izetbegovic sees progress on mediators' map Bosnian peace talks hanging in balance

By Robert Mautner,
Diplomatic Editor

INTERNATIONAL peace talks to end the war in Bosnia-Herzegovina continue to hang in the balance after being suspended until the end of this week in New York.

Mr Alija Izetbegovic, Bosnia's Muslim president, said before leaving for Sarajevo progress had been made in the negotiations on a map dividing the country into 10 semi-autonomous provinces. But diplomatic observers remain sceptical about the Muslims' or Serbs' political will to conclude an agreement at this stage.

"There's no question that the fighting that has been going on in eastern Bosnia has made the talks much more difficult," Mr Cyrus Vance, one of the two international mediators, said.

Though Mr Izetbegovic said he would be returning to the US later in the week "with the intention of moving the discussions forward to a successful conclusion", there are indications that his colleagues in the

Bosnian government are much less ready to compromise.

Bosnia's ambassador to the United Nations, Mr Muhamed Sacirbey, who is reported to have visited Washington last Friday to put the case against acceptance of the plan tabled by mediators Mr Vance and Lord Owen, again struck a warning note at the weekend.

"The president (Mr Izetbegovic) needs to respond to the proper authorities, who are not very pleased that lines may be drawn on the basis of ethnicity and, as a result, the reception is lukewarm," he said. Nor does the declaration made by Mr Radovan Karadzic, the Bosnian Serb leader, after the suspension of the talks on Saturday hold out much hope that he will prove more flexible in the future than in the past.

While promising that he and his political colleagues would try to find "the possibilities for further compromises", he claimed that the Bosnian Serbs had made the biggest compromises so far. Moreover, he warned that, if US President Bill Clinton's threat to tighten

sanctions against the Serbs if they did not stop fighting was carried out, "we would leave the conference".

It is virtually certain that Mr Izetbegovic will return to New York with more demands for territorial adjustments to the provincial map, which are likely to prove unacceptable to the Bosnian Serbs.

Following the acceptance last week by the Bosnian Muslims of the ceasefire and military disengagement provisions of the proposed peace settlement, the mediators pulled out all the stops to persuade Mr Izetbegovic to endorse their map. If he had, it would have left Mr Karadzic as the only leader of the warring parties not to have endorsed it, and thus much more vulnerable to international pressure.

The mediators' tactic of isolating Mr Karadzic, as they did earlier in the negotiations when he was ultimately "persuaded" by President Slobodan Milosevic of Serbia to accept the new constitutional framework for Bosnia, has thus been thwarted for the moment.

Yeltsin urges plebiscite on crisis

RUSSIA'S president, Mr Boris Yeltsin, declared yesterday that the country was in the grip of a constitutional crisis and that a referendum on who rules the country should go ahead, Reuter reports from Moscow.

In an interview broadcast on Moscow radio, Yeltsin said he wanted to reach an accord with conservative rivals, expected to challenge him at this week's session of the Congress of People's Deputies, the top legislature.

"I very much hope to achieve concord at the Congress between the legislative and executive authorities and the president," he said.

"If the Congress cancels the decision to hold a referendum, and the Congress could do it, this will show a lack of trust in the people," he said.

The referendum has been called for April 11 to determine who rules Russia - president or parliament.

Yeltsin's seven-minute interview, showed that he was counting on the plebiscite to strengthen his mandate for radical reform.

Yeltsin and his main rival, Mr Ruslan Khasbulatov, parliament chairman, have been exchanging verbal blows for weeks as a struggle between the executive and legislative authorities has intensified.

This week's emergency Congress, due to open on Wednesday, could bring the conflict to a head. Conservative deputies are expected to renew efforts to trim Mr Yeltsin's powers. Many oppose the referendum, which they warn could destabilise the country further and



A Communist disguised as a medieval knight joins yesterday's Red Square protest by supporters seeking to oust Boris Yeltsin

even lead to its disintegration.

Yeltsin called for unity to resolve a crisis whose roots he said lay in the contradictory constitution inherited from the Soviet era.

"I have become convinced that it is not those on the right, nor those on the left, nor the communists, nor the democrats, who can save Russia... We need consensus among parties and organisations," he said.

Yeltsin even held out an olive branch to communists, whose party he once outlawed. "There are also healthy communists who support Russia and its revival and accordingly do not want to wage a confrontational struggle," he said.

Conservative deputies are worried that the president might call upon the armed forces to back him if he does not get his way in the Congress. But Defence Minister Pavel Grachev vowed at the weekend that the army would stay neutral in the conflict.

"The army... will not participate in political games. That would be dangerous," Mr Grachev told Rossiyskiye Vesti newspaper.

US preparing aid measures to bolster Russia

By George Graham
in Washington

THE US is working on aid measures to get the process of economic reform in Russia back on track and at the same time bolster the political prospects of Russian President Boris Yeltsin.

President Bill Clinton has promised to offer specific "innovative solutions" at his meeting with Mr Yeltsin in Vancouver next month, and officials are working on plans for loan guarantees to help build housing for redundant Russian troops, as well as an enterprise fund to aid entrepreneurs.

At the same time, US farmers are pressing for an urgent settlement to Russia's debt problems, which have halted sales of their grain under a government-guaranteed credit programme.

Russia is more than \$400m in arrears in payments on these US grain credits, although it made a token \$15m payment last week. A full solution, however, depends on reaching a broader agreement to reschedule all of Russia's outstanding debts to the Paris Club of creditor countries.

This rescheduling has been held up, in part because of a dispute between Russia and Ukraine over how to divide responsibility for debts incurred by the former Soviet Union. Negotiations have been stalled since an offer from the Group of Seven leading industrial nations in December to reschedule over \$15bn of past official debt, cutting Russia's debt service obligations this year from \$12bn to \$2.75bn.

While the Russian debt question was discussed at last week's meeting of the G7 finance ministers, treasury officials give every appearance of being baffled on how to proceed.

The Clinton administration is considering setting up a direct food aid programme to replace the grain credits, and members of Congress from farm states have come up with a number of other imaginative solutions, such as the proposal from Mr Dan Glickman of Kansas to swap Russia's nuclear weapons for forgiveness of its entire debt to the US.

Mr Clinton's outline budget proposals would increase aid to Russia and the other former Soviet republics to \$700m from \$417m this year, while at the same time cutting or freezing most other US foreign aid programmes.

He also appealed strongly for more aid for Russia in recent speech.

The new president has also been consulting one of his predecessors, Mr Richard Nixon, who last week called on the US to exert some leadership over the other G7 nations in order to win a debt rescheduling agreement, persuade Japan to stop making its aid conditional on a return of the contested Kurile islands, and prop up Mr Yeltsin.

Although the State Department last week disavowed the prediction of Mr Richard Armitage, who had been in charge of US aid to the former Soviet republics, that Mr Yeltsin would not last long in power, many US officials privately consider Mr Yeltsin's prospects of survival extremely fragile.

Criticism stings Brussels into support for air-drops

By Lionel Barber and
David Gardner in Brussels

THE European Commission is trying to push member states into active support for US air-drops of humanitarian aid to besieged Muslim enclaves in eastern Bosnia-Herzegovina.

Mr Hans van den Broek, EC commissioner responsible for external political relations, told the Financial Times that support could extend to making available EC supplies of food and medicine for delivery by the US.

The proposal is expected to be discussed today at a meeting of EC foreign ministers in Brussels, along with the question of whether to tighten sanctions on Serbia.

When the US canvassed Nato allies at the end of last month for support for the air-drop, EC

states expressed lukewarm support for Washington's initiative and withheld practical contributions, preferring instead to continue with their efforts to deliver aid through land convoys under UN auspices.

The EC has been stung by criticism that it has not done enough to relieve suffering in the former Yugoslavia, and that its role as the largest supplier of humanitarian aid has been overshadowed by the high-profile US air-drops.

Mr Manuel Marin, EC commissioner in charge of humanitarian aid, unveiled last week a new Ecu20m (£40.8m) package for the former Yugoslavia - one quarter of the total aid the Community expects it will have to provide this year. The EC has already delivered Ecu200m in aid since the onset of the crisis.

Mr Van den Broek's call for a closer association with the US air-drops is based on the conviction that the EC must co-ordinate its efforts with the US - and Russia - if more permanent solutions to the conflict are to be found.

Mr Van den Broek said that, in the event of a peace plan being agreed, the EC, the US and Russia should be involved in making such a political settlement stick "with all accompanying military elements".

Senior EC diplomats said last week that if the peace plan drawn up by Lord Owen and Mr Cyrus Vance under EC/UN auspices collapsed, there would be a progressive tightening of sanctions against Serbia.

But if a deal is struck, the focus will move rapidly to the issue of enforcement.

The diplomats make clear there is a growing likelihood that Nato will take the leading role in policing a deal. One ambassador said: "The idea of involvement by the alliance in policing [any agreement] is rising steeply up."

The same diplomat also noted that France was playing an active role in Nato's defence planning committee for former Yugoslavia, "a very striking change which is extremely encouraging".

Interview, Page 12

German influence in Nato in 'rapid decline'

GERMANY'S influence in Nato is rapidly declining, its credibility is being questioned, and it no longer deserves special treatment now that the cold war is over, General Klaus Naumann, the country's chief of staff, said yesterday, writes Judy Dempsey in Berlin.

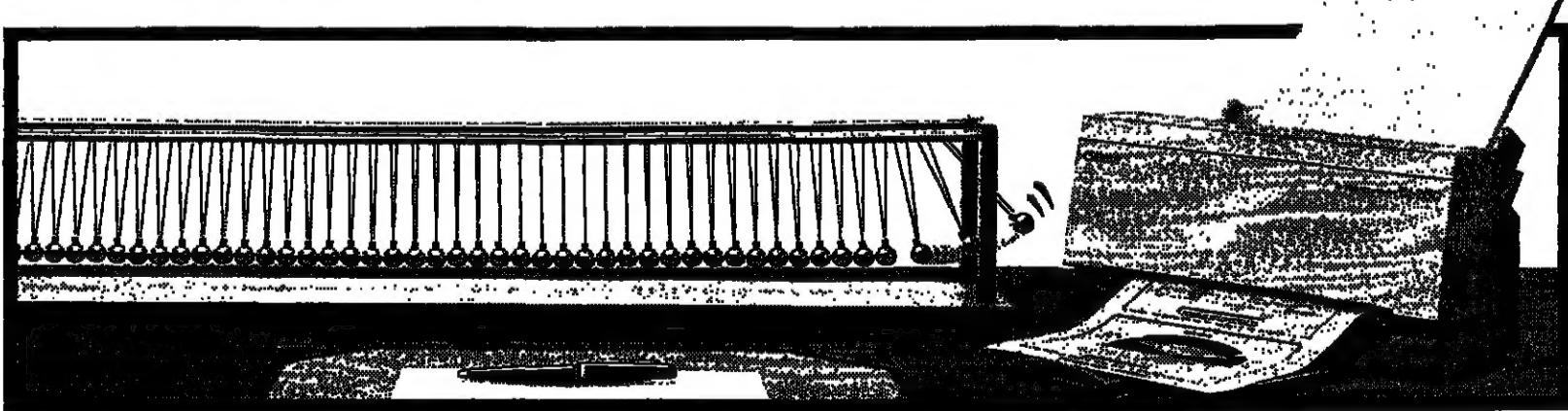
His comments follow debate among the country's political parties about how far the Bundeswehr, or armed forces, should become involved in activities outside Nato territory, as well as playing a role

in UN peace-keeping and conflict operations.

They coincide with remarks by Mr Hans Dietrich Genscher, the former foreign minister, who yesterday told the Welt am Sonntag newspaper that the country's soldiers had the right to know about cuts in personnel as well as future activities.

Bundeswehr operations are restricted by the 1949 constitution, which limits German troops to operations on Nato territory.

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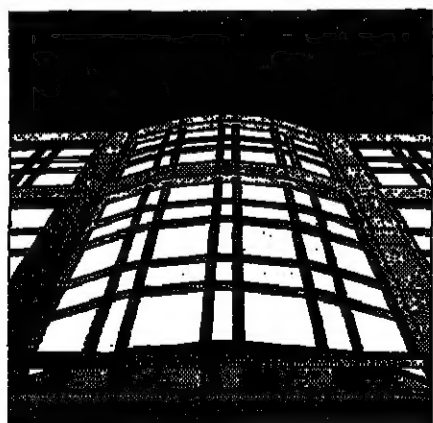
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Banks' Bombay exposure raised

By Stefan Wagstyl
in New Delhi

THE total problem exposure of banks involved in the Bombay securities market scandal is Rs40.2bn (\$573.5m), or Rs4.2bn larger than originally estimated, according to a report published at the weekend by the Reserve Bank of India, the central bank.

The reserve bank, in its fourth report on the affair, raised its estimate after months of investigations of the books of banks and stockbrokers involved in the scandal.

The affair, which erupted last April, has prompted the

resignation of a cabinet minister, the arrest of about 20 people and heavy losses for some banks, including Standard Chartered Bank of the UK.

The banks lost money mainly through extending credit to brokers in the fast-growing and lightly-supervised inter-bank securities market. The four foreign banks most active in the market were Citibank and Bank of America of the US, ANZ Grindlays and Standard Chartered.

The report published at the weekend confirmed previous findings that banks knowingly evaded reserve bank guidelines by giving brokers wide free-

dom to invest borrowed funds in the stock market - both for banks' own accounts and for clients.

The report concentrates on the roles of Standard Chartered and ANZ Grindlays, having singled out the two American-owned banks for detailed treatment in an earlier study. The investigators say Standard Chartered surrendered discretionary control of funds to Mr Hiten Dalal, a broker, in return for guaranteed returns on their money. The report says the arrangements were made in full knowledge of senior management at Standard Chartered.

"Standard Chartered has been carrying on its securities transactions in total contravention of reserve bank guidelines and in violation of the norms of prudent banking," says the reserve bank, in one of the strongest criticisms contained in the report.

Standard Chartered has previously admitted breaking guidelines and violating prudential norms. It has put the blame principally on relatively junior executives and on inadequate supervision by their immediate superiors.

Grindlays for its part was closely involved with Mr Harshad Mehta, another important

Bombay broker nicknamed Big Bull for his perpetual optimism.

The report says the extent of Grindlays' connection with Mr Mehta was camouflaged by the fact that payments from other banks were deposited directly into Mr Mehta's accounts at Grindlays without specific instructions to do so. This created the impression that the transactions involved banks only, when in fact they involved Mr Mehta.

All four foreign banks named in reserve bank reports have moved senior managers out of India since the scandal erupted.

S African parties in pact on talks

By Patti Waldmeir
in Johannesburg

WHITE and black politicians in South Africa have agreed to resume constitutional negotiations within a month.

Agreement was reached, however, only after a preparatory conference in Johannesburg at the weekend agreed to postpone consideration of all potentially contentious issues: a sub-committee must resolve them before the talks can begin. Problems remain over such vital issues as how the talks should be structured, who should chair them and what they should be called.

Several delegates stressed that the mainly Zulu Inkatha Freedom party, which often proved obstructive in a previous round of multi-party talks, demonstrated what one ANC delegate called an "unusual degree of conciliation".

They said an atmosphere of goodwill and co-operation characterised the closed-door sessions of the two-day talks, which brought together traditional enemies such as the white supremacist Conservative party and the black radical Pan Africanist Congress for the first time.

Discussion of constitutional issues, such as whether South Africa should be a federal or unitary state, was also deferred. Delegates to the conference, attended by some 26 political parties from right and left, said the aim was to avoid confrontation in the weekend plenary, and merely to set a deadline (April 5) before which talks must resume.

The talks provided evidence of the gap between the 26 parties on constitutional issues, such as the form of the future state, and on the process of constitution-making.

Failure on IMF deal puts Kenya's reform at risk

By Julian Ozanne in Nairobi

BOLD STEPS by the Kenyan government to liberalise its economy were in jeopardy at the weekend after International Monetary Fund officials left the country without agreeing a provisional deal that would pave the way to the restoration of foreign aid.

The IMF departure came at the end of three weeks marked by the most radical reform of the economy ever carried out by the embattled government of President Daniel arap Moi.

A positive verdict from the IMF was seen as crucial for Kenya to regain desperately needed quick-disbursing foreign aid worth about \$40m (£28m) a month which was suspended in September 1991 because of the government's long record of unfulfilled promises, mismanagement and corruption.

The government has said

that without the urgent resumption of aid the reforms, including foreign exchange liberalisation, reduction of price controls and resumption of measures to free the farm sector, will be unsustainable.

However both donors and the IMF, who welcomed the measures, have warned further steps would have to be taken urgently to curb monetary liquidity and avoid the mounting risk of massive currency depreciation, hyper-inflation and possible social unrest among the urban poor.

The government has said that donors are asking them to plunge into uncertainty without promising an injection of foreign exchange to sustain the reforms.

On the eve of the IMF visit three weeks ago the government removed exchange controls, leaving the exchange rate to be set for commercial transactions by the banking

sector. The central bank said it would still operate a foreign exchange window at a lower official rate for government imports, official debt service and publicly guaranteed debts.

The government also announced the complete liberalisation of the wheat trade from the producer to the consumer and a relaxation of price controls on other commodities.

"More has been achieved in the past three weeks than in the previous three years," said one western donor.

Since the liberalisation the shilling has depreciated more than 50 per cent against sterling. Money supply growth exceeded 35 per cent last year, mostly in the last six months, as a result of corrupt commodity and foreign exchange trading activities and the injection of money for election campaign finance. Inflation in the past four months is estimated at 40 to 60 per cent.



The leader of Australia's conservative Liberal/National party coalition, John Hewson, dumps rubbish he collected yesterday from a Sydney beach as part of Clean Up Australia Day. Mr Hewson received a blow to his hopes in next

Saturday's federal elections when he lost a televised debate with Labor's Paul Keating. Kevin Brown reports from Sydney. Mr Keating won 54 per cent of votes cast by a studio audience compared to Mr Hewson's 33 per cent.

Afghans sign peace accord

By Farhan Bokhari
in Islamabad

AFGHANISTAN'S rival mujahideen leaders shook hands and embraced in a rare show of goodwill yesterday, as leaders of seven factions and the president, signed an agreement to end factional fighting.

Mr Nawaz Sharif, Pakistan's prime minister, played host and acted as the principal negotiator during the six-day talks.

The agreement brought Afghanistan's two leading foes together. President Rabbani and his chief rival, Mr Gulbad-

din Hekmatyar, shook hands and sat down for face-to-face talks, their first such meeting in more than six months.

Under the agreement, Mr Rabbani will remain president for 18 months while Mr Hekmatyar will assume office as prime minister. However, the leaders were unable to decide the most divisive issue of allocating cabinet posts, and agreed only to form a new cabinet in 15 days.

The future of Afghanistan's powerful defence minister, Mr Ahmad Shah Masood, and that of the powerful Uzbek general, Rashid Dostum, also remains uncertain.

Mr Hekmatyar has been demanding that Mr Masood should be removed from the Defence Ministry, because both he and President Rabbani belong to the same party.

In the agreement, there were no clear provisions for including Gen Dostum in the government or for any high offices to be given to his party, the Junbish-i-mille, to gain his support.

At least 5,000 people have been reported injured and hundreds killed in rocket attacks on the capital, Kabul, launched by Mr Hekmatyar's men, since the beginning of the year.

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LEGAL NOTICE

Notice of creditors' meeting under Section 48(2) Insolvency Act 1986
Company No 536780 Registered in England and Wales
United Air Coil Limited
Principal place of business:
Northdown Road, St. Peter's,
Bournemouth, Dorset BH2 1JF
Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the offices of Messrs. C. J. & L. Lysons, Orchard House, PO Box No 262, 10 Albion Place, Maidstone, Kent ME14 3DZ on 18 March 1993 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Administrator pursuant to Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to examine the accounts and conduct on creditors' committees by or under the Act.
Creditors are only entitled to vote if:
(a) They have delivered to and at the address above, no later than noon on 15 March 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) There has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned in paragraph (a) above (including facsimile copies) not later than noon on 15 March 1993.
Signed: N J Vought
Joint Administrator Receiver
Dated: 1 March 1993

NOTICE OF APPOINTMENT OF ADMINISTRATOR

United Air Coil Limited
Registered number: 536780. Name of business: United Air Coil Limited. Date of appointment of Administrator Receiver: 24 February 1993. Name of person appointing the Administrator Receiver: Lloyd Bank Plc. Joint Administrator Receiver: N J Vought (office address: 2120 Cornhill & Lysons, PO Box 262, Orchard House, 10 Albion Place, Maidstone, Kent ME14 3DZ).

CONTRACTS & TENDERS

TENDER FOR TRANSPORTATION OF CRUDE OIL FROM MIDDLE EAST GULF PORTS TO KARACHI

National Tanker Co. (Pvt) Ltd, a Government of Pakistan Enterprise, invites offers for transportation of Crude Oil from Middle East Gulf Ports to Karachi, Pakistan under a Contract of Affreightment. The period of the Contract of Affreightment will be one year from 1st June 1993 to 31st May 1994. Total quantity to be transported during the period will be 1.8 million metric tons +/- 10% in cargo lots of 80,000 to 70,000 tons at approximately evenly spread intervals.

2. Companies must have experience of independently transporting crude oil to Karachi (not through open chartering) from 1979 (i.e. since Karachi Port Trust Oil Pier OP-IV came into operation) onwards and must also have in their ownership or management at least two (2) tankers of LR-VLR-2 class. The tankers must meet the following requirements:

- Be licensed and seaworthy and fully classed as Lloyd's A1 or equivalent conforming to SOLAS and MARPOL.
- Not older than 18 years but coverage insurance will be on owners account.
- Should meet the restrictions and be acceptable for loading at all major petroleum export terminals/ports of the Middle East Gulf, and for discharging at Karachi.
- Be of max length 250 ft and width 38 ft with capacity to load at least 70,000 long tons at max. 20 ft SWAG and maximum gross displacement tonnage of 90,000 tons on NPT Op-IV.

3. Companies will be required to submit the following information along with their offers:

- Full corporate status and structure of the company.
- List and particulars of tankers owned/operated which will be employed.
- Details of experience of transportation of crude oil to Karachi from 1979 onwards.
- Details of major cargoes if any and their re-employment position.

4. Companies interested may obtain the tender documents (Form of Contract of Affreightment and Terms and Conditions) on payment of US\$ 2000 (U.S. Dollars two thousand) in the form of pay order or bank draft in favour of National Tanker Co. (Pvt) Ltd, Karachi. The tender documents will be available from any of the following offices, on weekdays after 15th March 1993:

- Chief Executive, National Tanker Co. (Pvt) Ltd, 3rd Floor, PNB Building, M.T. Khan Road, Karachi.
- Regional Representative, Pakistan National Shipping Corporation, 49th High Road, Ward 101 TUF, New York, NY 10008.
- Regional Representative, Pakistan National Shipping Corporation, 24th Floor, 21-West Street, Resources Building, 20 Harbour Road, New One, Hong Kong.
- Regional Representative, Pakistan National Shipping Corporation, C/o. Mrs. Nava Hassan, P.O. Box 7, Dubai.

5. The last date for submission of the tender bids is 22nd March, 1993 as per instructions stated in the tender documents.

Chief Executive, National Tanker Co. (Pvt) Ltd, 3rd Floor, PNB Building, M.T. Khan Road, Karachi-Pakistan.

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Kanemaru quizzed on 'tax evasion'

By Charles Leadbeater
in Tokyo

MR Shin Kanemaru, the disgraced former kingmaker of Japan's ruling Liberal Democratic party, spent yesterday being questioned by prosecutors in Tokyo's criminal detention centre, after being arrested on Saturday for alleged tax evasion running to several hundred million yen.

Mr Kanemaru's arrest came hours after the Diet's lower house passed the 1993 budget, paving the way for the government to draw up further measures to stimulate the flagging economy. The opposition parties had been delaying the budget with calls for an income tax cut and further investigation of the Tokyo Sagawa Kyubin scandal, which led to Mr Kanemaru's resignation last year.

Some political analysts believe the prosecutors' decision to arrest Mr Kanemaru may reflect the government's decision that further action against him was necessary to still the opposition's campaign on the Sagawa scandal. The Tokyo prosecutor's office, widely criticised for failing to interview Mr Kanemaru in

person last year over the scandal, also wants to restore its battered public reputation.

Mr Kanemaru, who was head of the then-dominant faction within the LDP, resigned last October after being fined ¥200,000 (\$1,724), following his admission that he received an illegal political donation of ¥500m from the scandal-tainted Tokyo Sagawa Kyubin trucking company.

Mr Kanemaru, 78, was arrested over allegations that he concealed income of up to ¥800m between 1987 and 1989. Mr Masahisa Hata, his private secretary, is alleged to have concealed income of about ¥400m between 1987 and 1989.

Leading LDP politicians, including Mr Kiichi Miyazawa, the prime minister, said they were dumbfounded by the arrest, which probably owes much to the influence of the recently-appointed justice minister, Mr Masaharu Gotoda, a proponent of political reform.

The political impact of the arrest will not be clear for a few days. It may work to the government's benefit by laying to rest the Sagawa scandal, or could once again highlight that financial irregularities

are often the foundations for power in Japanese politics.

The passage through the parliament's lower house of the ¥72,350bn budget for 1993 means it will automatically become law within 30 days. The focus will immediately shift to the government's plans for a further special spending package to stimulate the economy. In August last year, the government announced a ¥16,700bn package of public works spending and measures to support the stock market.

Leading business organisations, as well as the opposition parties, are pressing for an income tax cut of ¥4,000bn-¥5,000bn. But the LDP and the powerful Finance Ministry are as yet opposed, because although a tax cut may generate only a limited rise in consumption, it would require higher government borrowing through issuance of deficit financing bonds.

Ministries and lobby groups are likely to put forward a plethora of schemes in the next few weeks.

The Ministry of International Trade and Industry is drawing up plans for an investment programme in



Shin Kanemaru: arrest dumbfounded prime minister Miyazawa

advanced telecommunications networks and computer equipment for schools and universities, to help the ailing electronics industry. The Finance Ministry opposes this plan, which officials regard as a

Second Korean minister set to go

By John Burton in Seoul

THE expected departure of a second minister from the 10-day-old cabinet of South Korean President Kim Young-sam highlights the issue of corruption that his new administration has promised to fight.

Ms Park Yang-sil, minister of health and social affairs and one of three women in the cabinet, is expected to be dismissed today for allegedly engaging in illegal property speculation. At the weekend, Mr Park Hee-tae, justice minister, resigned for allegedly taking advantage of a foreign-citizen loophole to get his US-born daughter admitted to Seoul's highly-competitive Ewha Woman's University.

The newly-appointed mayor of Seoul, a presidential appointee, was sacked last week for allegedly illegally developing land in a "green zone" surrounding the city. Mr Kim has made clear he is determined to root out the corruption that is pervasive in Korean society. But the sackings are embarrassing, since the cabinet was billed as strongly reformist, consisting of political outsiders who would challenge the status quo.

The charges against the cabinet ministers are emotive ones in South Korea. There is public resentment against those who made fortunes from the property boom of the late 1980s. Ms Park is alleged to have avoided government curbs on property acquisitions by making the purchases using the name of her children. She denies wrongdoing.

NY bomb site probe must wait

NEW YORK police and FBI say it could be another week before thorough investigation of the bomb crater under the World Trade Centre complex is possible, because of structural repairs required, Nikki Tait writes from New York.

Yesterday, however, there were indications that the site where a sixth victim of the blast might have been killed, had been found.

Anti-dumping study sidelined for 90 days

Nancy Dunne on the latest move over a political embarrassment

THE Democratic chairman of the International Trade Commission has sidelined for at least 90 days a controversial study of the US anti-dumping and countervailing duty regime and its impact on the American economy.

Mr Don Newquist, head of the agency which determines whether US companies have been injured by alleged dumping and subsidies, has written to Mr Mickey Kantor, US trade representative, asking him to confirm that the new administration of President Bill Clinton wants the study to go ahead. He claims that budget pressures, and questions from a congressman, have prompted his call for a review.

Mr Jim Kolbe, a Republican congressman, has written to Mr Kantor to protest against Mr Newquist's "unilateral decision" to delay the study. He has complained that Mr Newquist has misconstrued comments he had made to justify delaying the investigation. He claims that Mr Newquist's letter does not properly reflect the fact that he was highly supportive of it.

Mrs Carla Hills, the former trade representative under President George Bush, waited until five days before she left office to ask the ITC to mount the two-year study of the effects of "unfair trade" cases on the consumers, producers and workers.

Mrs Hills' timing remains a mystery. Just eight months before leaving office, she specifically omitted the issues of dumping and other "unfair trade" from a study on the economic effects of American import restraints.

She is likely to have been well aware that a study into the effects of dumping would be potentially embarrassing for President Clinton, pitching powerful domestic industries such as cars, steel and textiles

(which are traditionally strong Democratic supporters) against US exporters and consumers, all of whom have to pay higher prices because of such duties.

Many foreign companies and trade lawyers in Washington see the laws as inherently biased against foreign defendants.

Mr Newquist has said he will take up the investigation if he does not hear from Mr Kantor in 90 days.

Otherwise, he will follow the trade representative's recommendation.

He said the commission was facing personnel and budget reductions in conjunction with the administration's attack on the budget deficit. Mr Kantor, as one of the few officials who can order ITC investigations, was asked to comment on the requested study "in light of our resources... and the other priorities you may have".

Among those "other priorities" are studies on trade in mackerel and durum wheat, and recent investigations of magnetic switches, the peas and lentil industries, and the trade in meat and live cattle with Canada.

The political implications of the study will not be lost on Mr Kantor, who was the president's campaign chairman and frequently expressed sympathy with "the people standing on the unemployment line" who have no interest in "abstract lectures about the value of free trade and exports".

Mr Kantor's recent comments suggest he regards the US dumping and countervailing duty regime as providing "a fair hearing process". He said recently: "Forty nations of the world have dumping laws; I would say the US process, both in terms of fair hearing and transparency, is probably as good as or better than any process in the world."

Ministries' battle will decide trade line

By Charles Leadbeater

BEHIND the facade of Kasumigaseki, Tokyo's civil service area, and the government heart, a fight is under way to reshape the most sensitive aspect of Japan's most important international relationship - its trade policy towards the US.

Japan's approach to the Clinton administration when Premier Kiichi Miyazawa visits Washington in mid-April will be determined by the outcome of the struggle between Japan's bureaucratic big battalions. The fight to refashion policy towards the US has pitted the Ministry of International Trade and Industry against the Foreign Ministry, and, equally significantly, the Finance Ministry and the Bank of Japan.

They all welcome Mr Clinton's plan to cut the budget deficit, but are at odds over some vital aspects of trade policy. MITI wants policy towards the US guided by a new overall approach to trade issues, a

shift from a policy based on special considerations for foreign demands to a rule-oriented approach.

Mr Noboru Hatakeyama, MITI vice-minister for international affairs, believes the US administration could improve trade relations in the long run. An attack on the US federal budget deficit should help cut the US trade deficit, while the administration's industrial policy should help raise US industry's competitiveness.

He stresses it is too early to judge the new administration's trade policy, which so far seems cautious. The anti-dumping decision against steel imports was inherited from the Bush administration and the new administration has refrained from raising import tariffs on mini-vans. But Tokyo is still braced for US demands for Japan to open its market.

MITI favours stimulating the Japanese economy to cut the surplus by creating more demand for imports. It says it will resist moves to open up sectors of Japanese industry

such as cars or computers, to a specified level of imports. But this approach is different from trade in two different areas.

First, the Foreign Ministry argues that a "rule-governed" policy which attempts to settle trade disputes through formal procedures will sound evasive in Washington. A ministry official said: "You have to address some issues directly. Everyone is fed up with the Structural Impediments Initiative talks. We have to look for a new mechanism. We have not yet reached consensus on what that should be." One option considered by the Foreign Ministry are two parallel sets of bilateral talks, one for macro-economic issues, the other for micro-issues such as measures to open Japanese markets to imports. Trade friction with the US has a strategic significance for the Foreign Ministry. The end of the cold war has removed the main rationale for the US-Japan security alliance. As a result, the alliance is more vulnerable to being disrupted by trade frictions.

Mr Katsunari Suzuki, in charge of policy planning at the Foreign Ministry, said: "If the imbalance continues, then US public support for the defence of Japan will erode. It is most important we work with the Clinton administration to strengthen the US economy because then US public opinion will be more magnanimous about supporting Japan in times of need."

Second, MITI faces equally powerful opposition from the Finance Ministry and the Bank of Japan. They fear an attempt to reduce the trade surplus by stimulating the domestic economy's demand for imports will provoke a renewed bout of inflation in two or three years. The Finance Ministry experts think the bubble economy of the end-1980s was set off by economic policy in 1987, when the government introduced a ¥6,000bn (\$55.5bn) emergency spending package, partly in response to foreign pressure, when the economy was out of recession.

Mr Kosuke Yamamoto, who was in charge of industrial policy at MITI at that time, explains that MITI's ability to mobilise business and political pressure forced the Finance Ministry to double the size of the package from the initial ¥3,000bn. The financial authorities are determined not to make the same mistake again.

Mr Yasushi Mieno, Bank of Japan governor, commented: "An imminent need exists to put the economy on a sustainable growth path to get rid of the cyclical component of the surplus. Higher growth will to some extent cut the surplus, but a significant amount will remain. If that is dealt with by macroeconomic policy, that could be very inflationary."

The implication is that the structural component of the surplus needs to be dealt with by microeconomic measures targeted at specific industries. When Mr Miyazawa lands in Washington, he should be singing a tune his officials have agreed. But that will be the outcome of a painful battle yet to peak in Tokyo.

US navy proposes the closure of a third of its port bases

By George Graham
in Washington

THE US navy is proposing a radical realignment of its port bases, offering to close about a third of its installations and concentrate on two main ports at Norfolk, in Virginia, and San Diego, in California.

The proposal is part of a list of proposed military base closures presented to Mr Les Aspin, defence secretary, by each of the US armed services, on the basis of which Mr Aspin will submit his own list to a presidential base closure commission.

The independent commission

was set up as a way of circumventing the deadlock that ensued every time the Defence Department tried to close a military base, as every member of Congress fought to avoid cuts in his or her district. Congress is restricted to voting yes or no on the entire list instead of each individual closure.

The process remains highly politicised, nonetheless, and members of Congress are already rallying in support of their home bases.

The cuts are expected to hit particularly hard in northern California, where the faltering economy would be further hurt by the proposed closure of a

number of installations in the San Francisco Bay area.

In a move that is unlikely to be seen as accidental, all five bases in the Oakland district of Congressman Ron Dellums, the new chairman of the House of Representatives Armed Services committee and an advocate of deeper cuts in defence

spending, are understood to be proposed for closure.

Another controversial proposal is the Homestead Air Force base in Florida, targeted for closure until Hurricane Andrew devastated the area last year. Former President George Bush promised at the time to keep the base open.

City 'did not fall'

ANGOLAN government sources yesterday denied a claim by the rebel movement Unita to have captured the key central city of Huambo. Reuters reports from Luanda.

"The fighting is continuing," said one source who denied Unita's claim to have captured the provincial governor's palace, the last main redoubt of government troops in Huambo, on Saturday.

Other officials said Unita had made several previous claims

to complete victory in Huambo, the main focus of renewed fighting between government and Unita forces over the past two months.

The official news agency Angop carried an armed forces statement on Saturday night which said intense fighting was continuing in the city of half a million people.

But this was issued three hours before Vorgan, the rebel radio station, said Unita forces controlled Huambo.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series, and an average equity market yield. All figures are percentages.

This table shows growth rates for the most widely followed measures in national and global money, expressed as a percentage. The figures are annualized rates, based on the average quarterly growth rate for the period shown. The figures are in percent.																																				
UNITED STATES						JAPAN						GERMANY						FRANCE						ITALY						UNITED KINGDOM						
Money Rate	Broad Money Rate	Short Interest Rate	Long Interest Rate	Equity Index Rate		Money Rate (M)	Broad Money Rate (B)	Short Interest Rate	Long Interest Rate	Equity Index Rate		Money Rate (M)	Broad Money Rate (B)	Short Interest Rate	Long Interest Rate	Equity Index Rate		Money Rate (M)	Broad Money Rate (B)	Short Interest Rate	Long Interest Rate	Equity Index Rate		Money Rate (M)	Broad Money Rate (B)	Short Interest Rate	Long Interest Rate	Equity Index Rate		Money Rate (M)	Broad Money Rate (B)	Short Interest Rate	Long Interest Rate	Equity Index Rate		
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.82	6.51	n.a.	4.3	5.1	5.45	5.94	n.a.	6.2	7.4	10.03	11.74	n.a.	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.	1st qtr. 1992					
1986	13.5	8.3	6.49	7.57	3.43	6.9	8.7	5.12	5.35	0.84	10.0	8.3	4.54	5.90	1.79	6.8	7.8	7.79	8.74	2.85	10.5	8.2	13.25	11.47	1.41	4.0	16.3	11.02	9.97	4.35	2nd qtr. 1992					
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21	4.1	9.9	8.26	9.48	2.75	10.4	9.8	11.32	10.58	1.94	4.7	14.8	9.77	9.52	3.50	3rd qtr. 1992					
1988	4.3	5.2	7.05	8.84	3.51	8.4	11.2	4.43	4.77	0.54	9.7	6.4	4.34	6.46	2.61	3.9	8.4	7.94	9.08	3.69	7.6	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.09	4.48	4th qtr. 1992					
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48	6.3	5.7	7.11	5.94	2.22	8.1	9.8	9.38	8.79	2.68	7.1	8.2	12.41	11.81	2.46	5.8	10.5	13.96	10.30	4.36	1993					
1990	3.7	5.3	8.08	8.54	3.50	2.8	11.7	7.82	6.91	0.55	4.5	4.5	8.48	8.71	2.11	3.8	9.0	10.32	9.92	3.19	6.3	9.1	11.88	11.87	2.84	5.3	16.1	14.82	11.53	5.07	1994					
1991	5.9	3.5	5.57	7.85	3.21	6.2	3.6	7.21	6.97	0.75	5.1	5.6	9.25	8.44	2.38	7.3	8.0	11.83	13.20	3.58	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.37	1995					
1992	12.4	2.1	3.75	7.00	2.95	4.5	0.8	4.28	5.25	1.00	7.1	8.2	9.52	7.77	2.45	0.8	5.7	10.36	8.57	3.55	9.9	7.5	13.86	13.29	3.63	2.3	5.3	9.73	8.09	4.91	1996					
1st qtr. 1992	10.9	2.8	4.17	7.29	2.90	7.5	1.7	5.02	5.49	0.88	4.3	6.8	9.82	7.91	2.31	-1.8	3.9	10.06	8.48	3.40	8.9	8.1	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00	1st qtr. 1992					
2nd qtr. 1992	11.7	3.8	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04	6.4	7.9	9.76	7.96	2.26	-1.8	4.9	10.04	8.66	3.39	9.7	9.3	12.58	12.82	3.43	2.0	5.3	10.98	9.21	4.78	2nd qtr. 1992					
3rd qtr. 1992	12.6	1.7	3.35	6.61	2.98	3.2	-0.2	3.90	5.10	1.06	6.6	8.6	9.72	7.88	2.53	-1.0	4.8	10.58	8.90	3.67	6.0	6.9	16.14	13.83	4.02	2.3	5.3	10.39	9.21	5.21	3rd qtr. 1992					
4th qtr. 1992	14.3	2.0	3.55	6.73	2.94	1.7	-0.5	3.87	4.78	1.03	10.7	9.6	9.96	7.34	2.67	0.8	5.7	10.77	8.26	3.72	3.1	5.9	14.64	13.84	3.68	2.8	4.5	7.68	8.45	4.64	4th qtr. 1992					
March 1992	11.4	2.5	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93	4.9	7.0	9.70	7.94	2.25	-1.8	3.9	10.12	8.58	3.31	7.4	7.4	12.10	12.59	3.49	2.3	5.8	10.67	9.66	5.04	1992 March					
April	11.9	2.1	4.04	7.47	2.97	7.0	1.6	4.89	5.68	1.06	4.9	7.6	9.75	7.94	2.26	-1.4	4.5	10.04	8.67	3.37	8.8	8.3	12.24	12.71	3.51	2.3	5.8	10.68	9.41	4.81	April					
May	12.1	1.8	3.88	7.39	2.95	6.9	1.1	4.89	5.68	1.00	5.8	7.8	9.79	7.96	2.26	-1.7	5.7	9.96	8.58	3.33	8.4	8.0	12.24	12.60	3.45	2.5	5.1	10.13	9.06	4.51	May					
June	11.1	1.4	3.92	7.28	3.00	3.2	0.9	4.49	5.95	1.06	6.6	8.2	9.75	7.97	2.27	-1.8	4.9	10.11	8.73	3.47	10.0	9.6	13.23	13.14	3.34	1.3	5.3	10.03	9.15	4.82	June					
July	11.8	1.5	3.44	6.94	2.96	2.9	0.2	4.19	5.28	1.10	5.5	8.4	9.76	8.01	2.37	-0.6	5.1	10.23	8.90	3.69	7.5	6.0	15.36	13.65	3.78	2.5	5.7	10.21	9.08	5.15	July					
August	12.4	1.7	3.37	6.59	2.96	3.7	0.3	3.75	5.03	1.12	6.1	8.7	9.88	7.99	2.60	-1.6	4.9	10.36	9.06	3.71	5.4	6.5	15.27	13.71	3.94	2.4	5.5	10.43	9.37	5.33	August					
September	13.5	1.9	3.24	6.41	2.98	2.9	-0.5	3.74	4.99	0.88	8.3	9.3	9.50	7.85	2.82	-1.0	4.8	11.12	8.75	3.61	5.1	6.1	17.82	14.14	4.35	2.1	4.8	10.54	9.18	5.14	September					
October	14.4	2.2	3.32	6.58	3.02	1.5	-0.6	3.71	4.90	1.04	8.5	10.4	8.95	7.98	2.72	1.5	6.3	11.12	8.43	3.83	5.8	7.4	15.53	14.35	3.96	2.4	5.4	8.49	8.89	4.83	October					
November	14.4	2.0	3.65	6.86	2.94	1.5	-0.5	3.65	4.77	1.05	11.2	9.7	8.94	7.98	2.68	-0.1	8.0	11.77	8.14	3.73	2.8	5.9	14.53	13.48	3.48	3.0	4.4	7.92	8.27	4.60	November					
December	11.7	1.7	3.87	6.74	2.94	2.1	-0.7	3.65	5.16	1.04	12.5	10.5	9.06	7.96	2.61	0.8	5.7	11.65	8.64	3.61	1.0	4.5	13.90	13.66	3.51	3.0	7.1	9.24	9.88	4.49	December					
January 1993	13.4	1.2	3.26	6.59	2.87	2.4	-0.3	3.59	4.51	1.03	8.5	7.7	8.80	7.10	2.58	1.0	6.3	12.16	7.83	3.56	2.3	5.4	12.73	13.46	3.26	4.1	3.2	7.04	8.33	4.46	1993 January					
February	12.2	1.8	3.18	6.26	2.80	2.5	-0.5	3.59	4.51	1.01	8.9	7.8	8.90	7.14	2.43	1.0	6.3	12.12	7.76	3.40	2.4	5.4	11.51	13.03	3.01	4.1	3.2	7.23	7.97	4.36	February					

NEWS: UK

Tories prepare for defeat on Maastricht

By Philip Stephens, Political Editor

THE government was last night bracing itself for the possibility of a House of Commons defeat over Maastricht despite Mr John Major's public plea to Tory Euro-sceptics to end their rebellion against the treaty.

A defeat in the vote by MPs tonight on a minor amendment tabled by the Labour party would not derail ratification of the treaty. But it would undermine seriously the prime minister's efforts to re-assert the government's authority at Westminster.

Speaking at a Conservative conference on Saturday Mr Major said the party could no longer afford the "luxury" of disunity. That view was echoed in warnings from colleagues that important parts of the government's legislative programme were being derailed by the row over Europe.

Last night Tory Euro-sceptics were unmoved by Mr Major's warning that failure to ratify Maastricht would leave Britain "irrelevant" in Europe. They still intend to vote tonight for the Labour amendment.

The amendment would

ensure that British representatives on the Community's new committee of the regions were elected rather than appointed.

If carried, it would allow the Tory rebels and opposition parties to further prolong debate by introducing a so-called "report stage" into the legislation's passage through the Commons. That would allow the rebels more time to press their case for a referendum on the treaty and would further disrupt the government's other legislation.

Ministers were insisting that a defeat might yet be avoided. Tory business managers will this morning discuss the possibility of conceding the substance of the Labour amendment in advance of a vote in the hope of winning the support of the Liberal Democrats and other opposition parties.

In an attempt to increase the pressure on the Tory rebels, the ministers said yesterday that new laws to enforce tougher penalties on young offenders and to reform Sunday trading hours were among those facing delay because so much time at Westminster was being pre-empted by Maastricht.

Quality control fails to meet its own standards

By Charles Batchelor

BRITISH companies are paying thousands of pounds and spending hours of management time to qualify for a quality standard which appears to have a quality control problem of its own.

The BS5750 quality standard has already been obtained by about 17,000 companies. But it has emerged that a loophole in the rules means anyone can award a BS5750, which certifies a company's internal procedures are properly organised. Consultants and other organisations which issue and monitor BS5750 certificates are

not required to register with the National Accreditation Council for Certification Bodies (NACCB), an industry body which ultimately answers to the Department of Trade and Industry.

"There appears to be absolutely no control over the organisations making the award," said Mr Stephen Halliday, principal lecturer in small business at Buckinghamshire College of Higher Education.

Two dozen organisations have been accredited but the NACCB estimates that up to a dozen which have not registered are actively issuing certificates.

Britain in brief



Coal strike may hasten pit closures

Mr Michael Heseltine, the trade and industry secretary, has warned pit closures would be "hard to avoid" if miners took strike action.

This followed the announcement of a 60 per cent ballot vote by members of the National Union of Mineworkers in favour of a 24 hour strike followed by a "rolling programme of action" in protest at threatened pit closures and job cutbacks. The miners' vote is expected to strengthen the hand of those in the cabinet resisting moves to retreat from last October's government plans to shut 31 pits.

Steel tenders helped by pound

Manufacturers of steelwork have seen invitations to bid for overseas work increase fifteenfold since sterling left the exchange rate mechanism last autumn, according to the British Constructional Steelwork Association.

Unit labour costs decline

Unit labour costs in British manufacturing industry are expected to continue falling over the next few months with productivity increasing close to 4 per cent and pay settlements falling beneath 2.5 per cent, the Confederation of British Industry reported.

Shopping spree

Local shopping is attracting significant amounts of trade, despite the spread of superstores and out-of-town developments, suggests a report by Verdict Research, the market research consultants. It says spending in neighbourhood shops was £28bn in 1992 - one quarter of all retail sales.

Directors confidently predict end to recession

By Michael Cassell and Philip Stephens

FURTHER evidence that the economy may be slowly emerging from recession comes today from the Institute of Directors, which reports a surge in confidence in Britain's boardrooms.

An IoD survey conducted among 305 UK directors will strengthen the conviction among ministers that Mr Norman Lamont, the chancellor, is preparing to announce in next week's budget an increase in personal taxation.

Speculation is growing that Mr Lam-

ont will unveil a phased package of increases including curbs on income tax allowances for the higher paid and an extension of value added tax.

A staged move to restrict personal and other income tax allowances to the basic rate of tax would raise eventually several billion pounds.

The optimistic economic outlook is helped by signs of a boost to exports following sterling's devaluation after its suspension last October from the European exchange rate mechanism.

The IoD says that just over half the directors asked in January and Febru-

ary were more optimistic about the economic outlook for 1993. In October, the figure was only 10 per cent.

Directors are even more buoyant about prospects for their own businesses, with 60 per cent expecting an improvement in trading. But the IoD warns that, unless consumer confidence also rises, economic recovery will remain weak and fragile.

Most companies, the IoD adds, do not expect an upturn will reduce unemployment over the next six months.

Despite rising business volumes, profit levels remain squeezed, with

companies unable to pass on increased costs to customers. Manufacturing investment appears to have improved slightly in the early part of 1993, although some other business sectors have cut investment levels.

Mr Peter Morgan, IoD director general, said yesterday: "With business confidence improving, volumes of business rising and prices being held, the prospects for non-inflationary growth are good. It is now up to the government to ensure that no action is taken in the budget which introduces inflationary pressures into the economy."

Japanese investment revives stalled industry

Plants set up by overseas manufacturers have boosted car output, writes Kevin Done



Can Britain make it?

BRITAIN'S motor industry is showing signs of revival after decades of decline. The biggest single driving force behind the recovery is the wave of investment - totalling more than £2.1bn - by three leading Japanese carmakers, Nissan, Toyota and Honda.

New production lines and working practices have equipped the UK to be the fastest growing centre for car production in Europe during the 1990s, and the industry is expected to move into trade surplus during the second half of the decade.

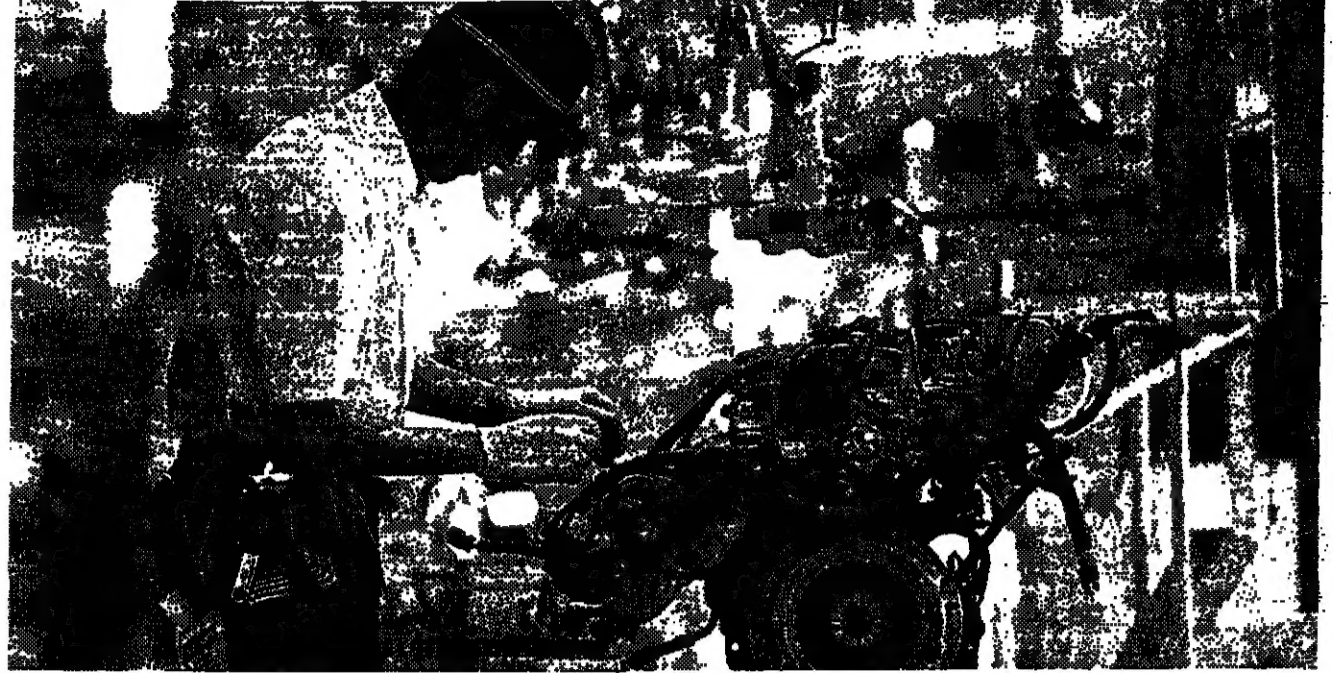
Mr Colin Hope, president of the Society of Motor Manufacturers and Traders, says: "The prospects are for a doubling of production over the next 5 years."

"The motor industry represents the only real ability to wipe out our annual trade deficit and this we should do by the latter part of the decade."

Mr Hope believes the Japanese plants are the main factor behind the revival but he insists that existing vehicle makers and components suppliers are "playing a full part" in the recovery.

To Mr Jacques Calvet, the staunchly protectionist chairman of Peugeot, the French carmaker, the UK has become "a Japanese aircraft carrier" leading the assault by Japanese producers on the traditional carmakers in Europe.

By the end of the decade the



Driving force: output from Japanese plants, such as the Toyota factory at Deeside (above), has been the main factor behind recovery

UK car industry - measured by output - will be owned one third by Japanese makers, one third by the US and one-third by the Europeans, although Honda also has a 20 per cent stake in Rover.

The arrival of the Japanese car producers is also helping to rejuvenate the automotive components sector. Parts and accessories account for around 45 per cent of UK exports of motor industry products.

Japanese component suppliers such as Nippondenso, Calsonic and Sumitomo are now producing in the UK, but European suppliers such as Valeo, Robert

Bosch and Magneti Marelli have also established a UK manufacturing presence.

Professor Garel Rhys, professor of motor industry economics at Cardiff Business School, says the Japanese presence could help UK car production jump to 2.5m-2.8m by 2000 from 1.3m last year, with exports rising to 1.2m-1.5m from 600,000.

The figures represent a sharp turnaround on the 1970s when labour relations were notorious and quality was often abysmal.

The motor industry trade balance plunged into the red in 1992, and economic growth in the second half of the 1990s

sucked in more imports.

The deficit swelled to a record £6.6bn in 1989 - 98 per cent of the UK visible trade deficit.

Since then, however, "the UK automotive industry has laid firm foundations for a strong future, even though we've still got a long way to go", according to Mr William Ebbert, chairman of Vauxhall, the resurgent UK subsidiary of General Motors of the US.

By the year 2000 the UK could have moved "from fifth to maybe third place in the European industry", he added, overtaking Italy and Spain. "The British industry is now

delivering quality products reliably, and in European terms, at low costs."

The UK industry built 1.6m vehicles in 1982 with 315,000 people (including metal parts suppliers). By 1991 output had risen to 1.45m vehicles with a workforce of 215,000, he says, while motor vehicle exports rose from 327,000 in 1982 to nearly 690,000 in 1991.

Prof Rhys claims the industry, with its competitive improvements reinforced by currency devaluation, is "set to survive in the more competitive environment leading up to the new millennium."

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40,000	Transatlantic upgrade from Economy to Business Class.
60,000	Buy one transatlantic Economy Class ticket, get one free.
60,000	Free Intra-Europe First Class ticket.
70,000	Two free transatlantic Economy Class tickets.*
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An increasing number of employers are insisting on smoke-free workplaces, writes Diane Summers

Abbey kicks the habit

On the first Wednesday morning of next month, Abbey National's 18,000 staff in the UK will collect their ashtrays and ritually dispose of them. From then on, not even senior managers in the privacy of their offices will be allowed a furtive puff, for the banking group has decided on a smoking ban for staff and visitors.

Abbey National is the latest of a number of large employers to outlaw or at least restrict smoking at work: an estimated 20 per cent of organisations have smoking policies. For others considering the move, impetus came from the recent case of the council worker in the north-west of England who won £15,000 compensation for the alleged effects of passive smoking at work.

Veronica Bland, a 36-year-old non-smoker, claimed her health suffered due to colleagues smoking around her. Following the case, the Institute of Personnel Management and anti-smoking groups such as Action on Smoking and Health (ASH), were delayed by requests for advice from employers.

This same pattern of legal action, publicity and movement by employers, and in some cases governments, towards restricting or banning smoking has been seen in the US, Australia and elsewhere in Europe.

The out-of-court Bland settlement has no status as a legal precedent, but many companies feel they no longer wish to risk the possibility of future claims. Public opinion has been gradually turning in favour of smoke-free working environments and to be a non-smoking organisation fits in with the image many companies wish to project.

Individual addicts may intend to take advantage of No Smoking Day on March 10 to kick the habit, but for organisations wanting to give up smoking, the cold-turkey approach is unlikely to be effective. Unless much preparatory work has been done before Wednesday, a more realistic timetable might be to aim for No Smoking Day 1994.

A year's lead-in was what Abbey National found it needed to introduce its smoking ban. The group's experience provides other organisations

with some useful lessons on the practicalities involved.

Ted Murphy, Abbey National's group personnel manager, says the process has been evolutionary, with smoking banned in areas visible to the public for the past five years.

A working party was set up last March to review the options for developing a smoking policy which would "guarantee non-smokers the right to breathe smoke-free air but, where possible, take account of the needs of those who smoke".

A questionnaire found that 80 per cent of staff were non-smokers – much the same proportion as in the UK population as a whole. Of the smokers, only 20 per cent smoked in their working areas and, even among smokers, there was a preference for some restrictions on where smoking should be allowed. Nearly 60 per cent of all respondents thought there should be separate rooms for smoking. But Abbey National decided not to go the "smoking dens" route, mainly because it would have been impracticable in some locations, particularly in very small branches.



Stephen Smart, a treasury manager, has only a few weeks left before Katie Poate helps impose the smoking ban

There is no point having a designated smoking area if it is not separately partitioned and ventilated – an exercise Abbey National's premises department considered impossible or too expensive for some locations. Other companies, particularly those in single buildings or occupying purpose-built premises, have found it easier to accommodate separate smoking rest areas.

The principle of consistency has been applied throughout the hierarchy. "If you're going to introduce a ban, it's simpler and cleaner to do it for all parts of the organisation. If

you draw lines based on status, you create warps in the policy that, in the end, undermine it," he says.

The final task was to help those employees wanting to take advantage of the April deadline to give up smoking altogether. Katie Poate, Abbey National's occupational health nursing officer, points out the company is not saying do not smoke, "but saying don't smoke at work".

A three-month warning of the ban has enabled many smokers on the staff to brace themselves for abstinence. Poate has given out a total of 450 packs advising how to give up

and interest-free loans of up to £300 are available to those wanting to try hypnosis or nicotine patches.

For those who do not manage to kick the habit by the deadline, at least there will be only three days to go until the weekend.

Ash Workplace Services runs seminars and publishes a handbook for companies wanting to implement smoking policies. 109 Gloucester Place, London W1H 3PH. Tel: 071 935 6120.

Quit also runs courses and helps individual smokers to give up. 102 Gloucester Place, London W1H 3DA. Tel: 071 487 2853.

35 who had died of non-cancerous and non-respiratory causes (heart attack was the most common cause of death) and independent interviews with survivors regarding occupational and smoking status. The researchers concluded that pathologic (possibly pre-cancerous) changes were higher in non-smoking women, married to a smoker.

Possibly the most incriminating link in the connection between ETS and disease came via the tobacco industry. In a survey, published by the American Journal of Public Health, of researchers who had received funds from the tobacco industry's Council for Tobacco Research, 99 per cent of respondents agreed smoking was addictive and 94 per cent believed passive smoking was dangerous to health.

Dr Michael McGannon
The author is the medical director of the Insead Business Health course.

Family fun at the AGM

Directors who dread annual meetings might learn something from NFC. The transport and logistics group has a strong tradition of employee share ownership. Following its 1982 sale by the UK government to a management-led buyout, about 90 per cent of the company's 33,000 employees are shareholders. As a result, the annual meeting has become as much a chance to inform and motivate employees as to reappoint the auditors.

This year's event, held last Sunday in Nottingham and attended by more than 1,000 shareholders, had the air of a friendly reunion rather than a business meeting.

Shareholders travelling by car or in a group by coach had their petrol costs refunded. A crèche was provided for young families and everyone was given a packed lunch. At the end of the meeting, after rousing speeches and congratulations to the management, shareholders were given questionnaires asking how the annual event could be improved.

The meeting is also a forum to discuss future strategy. NFC's 1989 stock-market flotation, its diversification overseas and the appointment of a shareholder director are all issues which have been aired in previous years.

This time one shareholder highlighted the plight of a former NFC employee fallen on hard times. James Watson, NFC's chairman, said that the NFC charitable foundation would look into the case, and was rewarded with a long round of applause.

Organising such large-scale events is not cheap; NFC spent about £65,000 on this year's meeting. For the future, Watson wants to attract even more shareholders and believes other companies would benefit from following NFC's lead.

"Our shareholders do feel they have a role in the business, and I would like to see other companies going that way, however they are owned," he said.

Angus Foster

An active 'no' to passive smoking



IN THE home, in hotels and in aircraft, busy executives are exposed to it: a human carcinogen so powerful it is classified along with such notorious substances as arsenic, asbestos and benzene. After several decades of intensive research the evidence is that environmental tobacco smoke (ETS), or passive smoking as it is known, is a potential killer. Studies show it causes heart disease, lung cancer and chronic respiratory illnesses.

In the US alone, 53,000 deaths are attributed to passive smoking every year, making it the third highest cause of lifestyle-related deaths, after active smoking and alcohol disease.

Most of the research on passive smoking since 1984 has demonstrated the causal relationship with

fatal diseases – not least the review in 1986 by the US Surgeon General and the National Academy of Sciences. Critics (including those from the scientific community) often cited investigator and other bias in attempts to discredit that work, but they have since been confronted by more meticulous findings.

In 1991, an article published by the American Heart Association presented data which revealed passive smoking lowers exercise capacity in both healthy and coronary patients, a hallmark of impaired coronary circulation. Among other immediate effects of passive smoking is the increased clumpiness or stickiness of clot-forming cells (platelets) in the blood. This plays an important role in plaque and clot formation

in coronary circulation. Passive smoking also causes an oxygen supply/demand imbalance by increasing heart rate and blood pressure and interfering with oxygen uptake by the red cells, thereby reducing supply.

One researcher exposed healthy young women to pure air contaminated with tobacco smoke while the subjects exercised on a treadmill. The results in heart rate, blood pressure, exhaustion, perceived exertion and oxygen uptake were similar to patients with heart disease.

Of the 4,000 or more substances identified as carcinogenic, atherogenic (plaque-forming), antigenic (allergy-forming) and mutagenic in tobacco smoke, all those implicated in causing heart disease and lung cancer in active

smokers were found in ETS as well.

In an earlier Danish study of pregnant women – a study of the ultimate passive smoker, the foetus – marked degenerative changes were noted in the umbilical arteries of newborns of smoking women.

The weight of the "smoking newborn" was, on average, nearly 500g less than their non-smoking counterparts.

Children are better off with non-smoking parents: toddlers under the age of one have significantly more bronchitis and other respiratory illness when one or both parents smoke. As the child grows, exposure to passive smoking in the home will lower lung capacity, predisposing the child to lung illnesses later in life.

At the office, ETS levels are higher than in the home, due to

the higher density of smokers. Employers are getting the message and are justifiably concerned with maintaining productivity and containing health care costs and absenteeism. Insurance industry studies indicate smokers are more likely to have higher health costs and more sick days than non-smokers.

A careful analysis of health claims and absentee data of passive smokers is the critical next step.

The link between ETS and lung cancer was claimed in research from the Harvard School of Public Health published last autumn in the Journal of the American Medical Association. Those involved used clever innovations to overcome investigator bias: autopsy lung specimens of several hundred non-smokers aged over

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BANK OF TOKYO GROUP

THE BANK OF TOKYO GROUP continues to provide our clients with a range of high quality services in the field of Corporate Finance on a global basis. Our goal is to gain the confidence of our clients and to build up and maintain a lasting business partnership. Integrity in all our transactions is our highest priority.

Shown below are examples of transactions the Bank of Tokyo Group has carried out on behalf of clients. For more detailed information about our range of services, please contact any of the Bank of Tokyo Group offices listed below.

GLOBAL CORPORATE FINANCE IN 1992

M & A

YAMATO SCALE CO., LTD. and LOCK INTERNATIONAL PLC. have formed a joint venture	YAMAHA CORP. has acquired HAGAN SKIFABRIK GMBH	Management buy-out of EXPRESS FOODS from GRAND METROPOLITAN PLC.	MMC HARTMETALL GMBH has acquired exclusive sales rights from FABOR S.A.	THK CO., LTD. has acquired PGM BALLSCREWS LIMITED
The undersigned acted as Financial Advisor to Yamato Scale Co., Ltd.	The undersigned acted as Financial Advisor to Yamaha Corp.	The undersigned acted as Financial Advisor to Management of Express Foods	The undersigned acted as Financial Advisor to MMC Hartmetall GmbH	The undersigned acted as Financial Advisors to THK Co., Ltd.
The Bank of Tokyo, Ltd.	The Bank of Tokyo, Ltd.	Bank of Tokyo International Limited	Banque Européenne de Tokyo S.A.	The Bank of Tokyo, Ltd.
PIONEER LDC, INC. through its subsidiary has acquired BEST & ORIGINAL PRODUCTION LTD.	KANEBO, LIMITED has acquired from SAMMONTANA S.R.L. the manufacturing and distribution rights in Japan under the Sammontana trademarks	CHUO SPRING CO., LTD. has increased and acquired controlling shares in ACK CONTROLS INC.	KOTOBUKI CORPORATION has acquired AUDIENCE SYSTEMS LTD.	TOHO PHARMACEUTICAL CO., LTD. has subscribed to preferred stocks of and entered into distribution agreement with BIO SURFACE TECHNOLOGY INC.
The undersigned acted as Financial Advisor to Pioneer LDC, Inc.	The undersigned acted as Financial Advisor to Kanebo, Limited	The undersigned acted as Financial Advisors to Chuo Spring Co., Ltd.	The undersigned acted as Financial Advisor to Kotobuki Corporation	The undersigned acted as Financial Advisors to Toho Pharmaceutical Co., Ltd.
The Bank of Tokyo, Ltd.	The Bank of Tokyo, Ltd.	The Bank of Tokyo, Ltd. The Bank of Tokyo Trust Company	The Bank of Tokyo, Ltd.	The Bank of Tokyo, Ltd. The Bank of Tokyo Trust Company

INTERNATIONAL LEASE

U.K. EQUIPMENT LEASE of ND MARSTON LTD.	U.K. EQUIPMENT LEASE of ASAHI TRIEFUS PLC. (Subsidiary of ASAHI DIAMOND INDUSTRIAL CO., LTD.)	U.K. EQUIPMENT LEASE of INTERNATIONAL CATERING LTD. (Subsidiary of JAPAN AIRLINES CO., LTD.)	U.S. EQUIPMENT LEASE of CHUSEI U.S.A., INC. (Subsidiary of CHUSEI OIL CO., LTD.)	U.S. EQUIPMENT LEASE of YOTEK, INC. (Subsidiary of YAMADA SEISAKUSHO CO., LTD.)
The Bank of Tokyo, Ltd. acted as Financial Advisor to Nippondenso Co., Ltd.	Arranged by Bank of Tokyo International Limited	Arranged by Bank of Tokyo International Limited	Arranged by BOT Financial Corporation	Arranged by BOT Financial Corporation

AIRCRAFT LEASING

ALL NIPPON AIRWAYS CO., LTD. Boeing 767-300 Aircraft Japanese Leveraged Lease	BRITISH AIRWAYS PLC. Boeing 747-400 Aircraft Japanese Leveraged Lease	MALAYSIAN AIRLINE SYSTEM BERHAD Boeing 737-400 Aircraft Japanese Leveraged Lease	KLM ROYAL DUTCH AIRLINES Boeing 747-400 combi Aircraft Ownership Foreign Sales Corporation Lease	QANTAS AIRWAYS LIMITED Two Boeing 747-438 Aircraft Australian Leveraged Lease	ALASKA AIRLINES, INC. Four MD-83 Aircraft U.S. Leveraged Lease	UNITED AIRLINES, INC. Two Boeing 737-500 Aircraft U.S. Leveraged Lease
Arranged by BOT Lease Co., Ltd. and other leasing companies	Arranged by BOT Lease Co., Ltd. and other leasing companies	Arranged by BOT Lease Co., Ltd. BOT International (H.K.) Limited	Equity Arranged by BOT Financial Corporation	Arranged by Meridian International Capital Limited Term Loan & Letter of Credit Arranged by Bank of Tokyo Australia Ltd.	Lessors Union Bank & others Equity Arranged by BOT Financial Corporation	Lessors Union Bank & other Equity Arranged by BOT Financial Corporation

ASSET BASED AND STRUCTURED FINANCING

PETROLEOS MEXICANO (PEMEX) Syndicated Credit Facility Supported by MITI Investment Insurance overseas Funds provided by The Bank of Tokyo, Ltd. and other Japanese banks. Arranged by The Bank of Tokyo, Ltd.	EAGLE POINT COGENERATION PARTNERSHIP U.S.A. The Coastal Corporation Public Service Enterprise Group, Inc. The Bank of Tokyo Trust Company acted as Co-Agent and Swap Co-Provider	BELVUE ENVIRONMENTAL FUELS U.S.A. Sun Company, INC. Mitchel Energy & Development Corp. Enterprise Products Company The Bank of Tokyo Trust Company acted as Co-Agent	INDECK-OLEAN U.S.A. Indeck Energy BOT Financial Corporation acted as Co-Agent	OYSTER CREEK U.S.A. Destec Energy, Inc. Transco Energy, Inc. Union Bank acted as Agent	COSCO-HIT TERMINAL Hong Kong COSCO Hong Kong Int'l Terminals Ltd. The Bank of Tokyo, Ltd. acted as Lead Manager	TANABE CORPORATION/ FURRY CREEK PROJECT Canada The Bank of Tokyo Canada acted as Arranger
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CONSULTING SERVICES

ERDENET MINE MODERNIZATION AND DEVELOPMENT PROGRAM (JICA MISSION) Mongolia The Bank of Tokyo, Ltd. acted as Financial Advisor	INDONESIA/TELEPHONE EXPANSION PROJECT (REPELITA IV) Indonesia NTT Saitm Group The Bank of Tokyo, Ltd. acted as Financial Advisor	GEOTHERMAL POWER PLANT PROJECT AT LEYTE Philippines Kanematsu Corporation The Bank of Tokyo, Ltd. acted as Financial Advisor	DALIAN INDUSTRIAL PARK PROJECT China The first project developed by Japanese-Chinese Official and Private Sectors The Bank of Tokyo, Ltd. acted as Promotor, Investor, Financier and Agent	EAST JAKARTA INDUSTRIAL PARK PROJECT Indonesia The first project developed by Japanese-Indonesian Private Sector The Bank of Tokyo, Ltd. acted as Promotor, Investor and Financier	TOURISM ADVISOR Malaysia Malaysia Tourism Promotion Board The Bank of Tokyo, Ltd. acted as Advisor
PROMOTION OF FOREIGN INVESTMENT IN CHIBA PREFECTURE Chiba Prefecture The Bank of Tokyo, Ltd. acted as Advisor	HOKKAIDO SUMMIT FOR THE VIPS OF THE FOREIGN-AFFILIATED COMPANIES Hokkaido Government/ The Committee for the Promotion of Investment in Hokkaido The Bank of Tokyo, Ltd. acted as Advisor	KYUSHU INTERNATIONAL INVESTMENT MEETING 1992 The Kyushu Industrial Location Promotion Council The Bank of Tokyo, Ltd. acted as Advisor	STUDY OF THE ENVIRONMENT IMPROVEMENT PROJECT IN REPUBLIC OF HUNGARY Undertaken by The Overseas Economic Cooperation Fund (OECF) The Bank of Tokyo, Ltd. participated as Financial Economist	YOROZU CORPORATION HAS ESTABLISHED YOROZU MEXICANA S.A. In conjunction with NAFTA The Bank of Tokyo, Ltd. acted as Financial Advisor	

• Tokyo The Bank of Tokyo, Ltd. Head Office Corporate Advisory Division Project Finance Division (03) 3245-9449 (03) 3245-9665	• Düsseldorf The Bank of Tokyo, Ltd. Financial Services Department (211) 36670	• Los Angeles Union Bank (Bank of Tokyo Group) International Advisory Department (213) 236-5685
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• Paris The Bank of Tokyo, Ltd. Banque Européenne de Tokyo S.A. (1) 42-61-58-33 (1) 49-26-49-92	• New York The Bank of Tokyo Trust Company Financial Services Department (212) 766-3111	• Singapore The Bank of Tokyo, Ltd. 2208111
	• Boston BOT Financial Corporation (617) 345-5618	• Sydney Bank of Tokyo Australia Ltd. (2) 255-1111

CONSTRUCTION CONTRACTS

Upgrading housing in Essex

UNITED HOUSE in Swanley has been awarded a £6m design and build housebuilding and improvement contract jointly from Basildon District Council and the New Islington and Hackney Housing Association - to completely modernise, upgrade and extend the Cruden Estate at Pitsea in Essex.

The work includes the design and construction of 64 houses, bungalows and flats (£2.3m), the refurbishment of 351 houses and flats including roofs, external walls and landscaping (£2.5m) and new infrastructure (£1.2m).

Restoration plan

The contract for Stage II of the safeguarding works taking place at St Pancras Chambers has been awarded to the London-based company WATES SPECIAL WORKS. The contract is worth £8m.

The work exclusively concerns the exterior of the building; replacing the existing slates with green slates (like the Victorian originals); restoring masonry, balconies, balustrades and the clock; providing a full exterior clean of the building; and repairing the statue of Britannia for return to her plinth 130 ft up overlooking King's Cross station.

Stage I of the safeguarding works commenced in May 1992.

Headquarters

A design and build contract, worth £7m, has been placed with Portsmouth-based WARINGS CONTRACTORS for an 80,000 sq ft office complex which will become the new headquarters for the integrated staffs of the Second Sea Lord and the Commander in Chief Naval Home Command (CINCPACNAVHOME).

Social housing

HALL & TAWSE PARTNERSHIP, part of Raine, has been selected to design and build at least half of the Kent Housing Partnership volume house-building programme of 2,500 dwellings in the next three years.

Hall & Tawse Partnership expect to start work on 1,000 houses by the end of the year.

Holiday village development



Center Parcs, based in Newark, has awarded the first major contract in the construction programme of its new holiday village at Longleat to G

PEARCE & SONS of Devizes.

The contract, worth some £12m, is for the infrastructure works for the village and follows work by the company on

the new roundabout and entrance into the village. The artist's impression (above) shows the proposed swimming facilities.

Improving water quality in Middlesex

ANGLIAN H&G (AH&G) has been awarded a £15m contract by Thames Water for a 25 tonnes per day granular activated carbon (GAC) reactivation plant to be built at Kempton Park, Middlesex. The scope of work includes design, procurement, construction and commissioning.

The design has already started and the plant is sched-

uled to come into production early in 1995. GAC is being used increasingly by the water industry to improve the quality of drinking water in order to conform to EC directives. It is particularly effective at removing herbicides and pesticides whilst also improving the taste and odour of water.

The energy efficiency of Anglian H&G's reactivation

process has been optimised and raises internally all the steam required for the process. The company is building an additional eight plants in the UK for the removal of pesticides from water.

Anglian H&G is a 50/50 joint venture between Anglian Water and H&G Process Contracting, part of the Jacobs Engineering Group.

Wastewater treatment plant in Macau

A consortium led by WATER ENGINEERING (HK), part of the North West Water Group, has signed a £16m contract to design, build and operate a wastewater treatment plant in Macau, on the southern tip of China. Water Engineering and its Portuguese partners, Teixeira Duarte and Soares Da Costa overcame opposition

from UK and French contractors with a compact and efficient process design.

The plant, which will treat both domestic and industrial wastewater, will take two years to construct, followed by an operation contract of three years.

The plant, sited in a densely populated area, will be virtu-

ally enclosed and screened from the public with access to parking facilities on top.

Considerable attention has been given to noise abatement and odour control.

Macau, a one-hour jetfoil trip from Hong Kong, is a Portuguese territory destined to revert to Chinese rule at the end of 1999.

Harnessing the wind at Kirkby-in-Furness

A £5m contract to install 12 400kW wind turbines at the new Kirkby Moor wind farm in Cumbria has been won by TAYLOR WOODROW CONSTRUCTION NORTHERN.

With a total capacity of 4.8MW, the wind farm at Kirk-

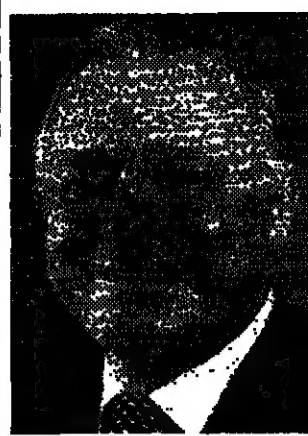
by-in-Furness will supply electricity for the equivalent of 4,500 homes.

The wind farm project, a joint venture between National Power, South Wales Electricity and Taylor Woodrow Construction Holdings, removes the

need to emit 12,000 tonnes of carbon dioxide a year in burning fossil fuels.

The turnkey construction contract for the Kirkby Moor wind farm company includes civil works and installation of electrical equipment.

ICI split makes waves



When a company like ICI, Britain's biggest manufacturer, splits itself in two, the shock waves are felt well beyond the boardrooms of Ronnie Hampel's slimmed down ICI and David Barnes' Zeneca.

It is easy to spot the winners at board level. Alan Pink (above left) 54-year-old chief executive of ICI's agrochemicals and seeds business, for example, has gone on to the Zeneca board. He is the only one of the eight chief executives of ICI's traditional core businesses to get a directorship as a result of the demerger.

Rob Margetta, 46, who had been chief executive of ICI's Tioxide business until six months ago, had already got a main board seat. But given that the rest of his colleagues are in their late fifties, he would seem a front-runner to take over from Ronnie Hampel who is little more than a year away from ICI's normal retirement age of 62.

Three of ICI's four general managers are staying with the old firm - Victor White, 56, group solicitor; Alan Spall, 49, group financial controller; and Paul Schindler, 48, managing director of ICI's chemicals business. Hugh Donaldson, 51, joins Zeneca as general



manager of corporate resources, along with Norman Lyle, 45, finance; and Graeme Mosker, 40, secretary.

Michael Dealey, chairman of the separately quoted ICI Australia, keeps the same job unlike most of ICI's other regional chairmen around the globe. ICI Europe has been disbanded and its chairman, David Benyon, retired last September. Ben Lochtenberg remains chairman of ICI America but is close to retirement.

Meanwhile, Keith Willard, president of ICI Canada, has been appointed chairman of Zeneca in North America. Paul Schindler, the Frenchman who was ICI's chairman of Asia Pacific, has been made chairman of ICI (China) and Dr S Lui has been appointed chairman of Zeneca in China. He takes on additional regional responsibilities from August.

Finally, there are still some non-executive directorships to fill. Gill Lewis (above right) 48, Nestlé's head of personnel, has just been appointed to the Zeneca board, but the old ICI needs to recruit at least one more non-executive director if it wants to maintain its traditional balance between execs and non-execs.

Peter Johnson, who is responsible for Fisons' pharmaceutical division's R&D, and Michael Redmond, formerly md of pharmaceutical marketing operations and now md of the pharmaceutical division, have been appointed to the board.

Peter Spinney has been appointed director of personnel at BRITISH GAS's UK Gas Business.

John Nicholson, previously marketing director of Birds

Eye Wall's, part of Unilever, has been appointed group executive director - marketing of COURAGE; his responsibilities will include such brands as Foster's, John Smith's, Kronenbourg, Miller, Pilsner and Beamish.

David Spencer is promoted to corporate director of human resources at SMITHS INDUSTRIES on the retirement in May of Gill Jones.

Rainer Hermann, previously md of Kablo Bratislava, part of

Taylor Woodrow recast

Taylor Woodrow appears to have completed its senior management reshuffle with the promotion of 46-year-old Brian Abrahams, currently responsible for group trading activities and managing director of Greenham Trading, onto the board. In turn, George Borwell, 66, chairman of Greenham Trading, will retire from the board at the May agm.

When Colin Parsons took over as chairman of the big UK construction company a year ago, he admitted that even he, as an operating director, sometimes had difficulty in understanding the structure of the board, which at the time was top-heavy and generally opaque. Since then, six directors have left, and four new

ones, including Abrahams, have been appointed.

A Taylor Woodrow man from the age of 16, when he joined as a junior in the buying office, Abrahams has concentrated on the sales and marketing side. As Borwell's protégé, he pushed forward with the expansion of Greenham Trading, which has a product range from contractors' tools to leisurewear and which is one of the few businesses within the group that has continued to improve its performance through the recession. Borwell, one of the doyens of Greenham Trading, may be asked by the subsidiary board to become its non-executive chairman. Taylor Woodrow reports its full year results on March 30.

Co-heads for Salomon

Salomon Brothers has replaced Bill Strong, the head of international investment banking who left unexpectedly in January, with two members of its existing London senior management.

However, Charles McVeigh, 50, chairman of Salomon Brothers International, and David Jarvis, 51, managing director and head of investment banking for European financial institutions, assume responsibility solely for European investment banking, whereas the rest of international will revert to Richard Barrett and Leo Higdon who run investment banking worldwide from New York. Strong had recently been promoted from head of the European side, but Salomon says the newly created job had been

tailored specifically for Strong and that he had not been doing it long enough to establish the structure.

Jarvis adds that the co-head arrangement has become increasingly popular at the bank - "that way we can be in London and out with the client at the same time". He contends that Strong spent most of his time on "internal organisation. He was not a client man." McVeigh and Jarvis have known each other for 20 years and the latter says that it will not be a case of dividing up the turf as they will be "pretty much substitutable".

McVeigh has been at Salomon since 1971, but Jarvis only joined six years ago; he had been vice chairman and chief financial officer of Norwest Corporation.

Siemens has been appointed md of the Berlin-based KWO Group, which BICC Cables bought last year.

John Lloyd, finance and corporate development director, is to be appointed group md of PORTALS GROUP as from the agm in May. Michael Morley, who is recovering from a recent illness, is taking early retirement as chief executive but will remain deputy chairman.

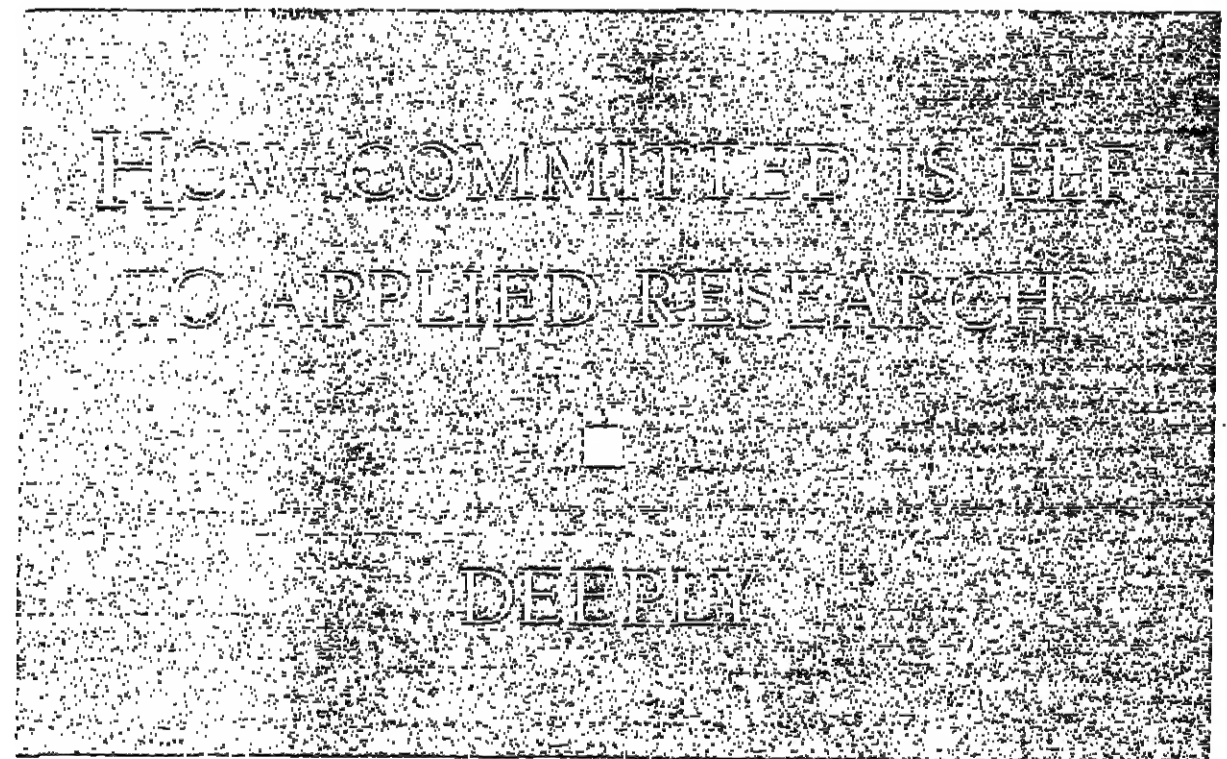
Brian Stacey, commercial director of AVON RUBBER, is retiring at the end of this month. John Harper then becomes chairman of Avon Inflatables, Steve Willeox

chairman of Avon S&H and Avon-Clevis; Chris Martin chairman of the Wiltshire Manpower Group.

Geoff Hunter has been promoted to finance director and company secretary of PECHINEY Packaging Food & General Line.

Claire Harbour has been appointed general manager of LOUIS VUITTON UK; she moves from the Swire Group in the Far East.

Mike Todman, formerly finance director with Wang Laboratories, has been appointed finance director of WHIRLPOOL UK.



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elf

OUR DEDICATION GOES FURTHER

INTERN
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BERLIN
OPERA/DANCE
Starts after inter-
main evening
premiere on 18
ballet production
Daniel Barenboim
March 14
This week's sym-
phony concert
by Roger Norr-
by Schütz and
Zimmermann
Wed and Sat com-
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Komische Oper
agm of new pro-
ballet The Three
Frisch, Fried
Fr Les Corps
Ensemble 1225 2
Deutsche Oper
Fr Elektra and
Leone Rysanov
Fauré's 'Hure' in
revival of Götter
production of Ma-
Sal Götter Ma-
Barenboim Peter S

Architecture/Colin Amery

Proud to be Paris

Any Londoner must envy Paris. It is a capital city with a strong sense of its own identity. It is a city devoted to culture and the finer arts of civilisation. It is a city with a working and up-to-date infrastructure. During the last 20 years it has become a city of importance in the history of contemporary architecture. Londoners can gain some sense of this creative excitement at *Paris: A City in the Making*, an exhibition at the French Institute in Queensberry Place.

The exhibition is an offshoot of the Pavillon de l'Arsenal in Paris, a centre founded in 1989 to inform Parisians about changes in the planning and development of their city. Pavillon de l'Arsenal, housed in a 19th century glass and steel building on the Boulevard Morland in the 13th district of Paris, was the brain child of M. Jacques Chirac, as mayor of Paris. At its heart is a great model of Paris connected to a tactile screen computer. Visitors ask the computer questions, and it answers through a video disc while a laser ray spotlights the relevant sector of the model.

Apart from all this high level technology the Pavillon de l'Arsenal publishes books, runs a library on Paris, and organises regular temporary exhibitions. The one in London follows many of the themes of the permanent display in Paris. Alas, the great model does not travel and so the exhibition is relatively hard work: you must enjoy reading panels and unravelling plans.

Unlike the recent *Vision for London* model and exhibition at the Royal Exchange in the City, the Paris displays are not afraid of history. History and the study of civilisation unlock

an understanding and enjoyment of architecture. The creators of the Paris exhibition understand this; they begin their themed explanation of the city's growth and change by explaining how the city acquired the shape it has today. From Philippe-Auguste's walls and crypts to the rampant demolition and rebuilding of Baron Haussmann, Paris has undergone sweeping changes. However, there is always evidence of the grand vision, which is so rare in Britain.

The display in London helps to relate a number of significant architectural developments in Paris to the overall plans and strategies for the city. Visitors cannot but sense that the developers of Paris - both private and public - are aware of the restraints and advantages of centralised planning. The interminable periphery, for instance, encircles Paris like a corset. And it is interesting to observe that Paris's encounter with the Modern movement was really a failure - the city remains visually of the 19th century. The immense scale of much of what the Modern movement intended for Paris destroyed the *quartier* and all the happy mixtures of activity that make Paris work so well. The Centre Georges Pompidou, for all its avant-garde attraction, also showed Parisians the crude insensitivity of much modern design.

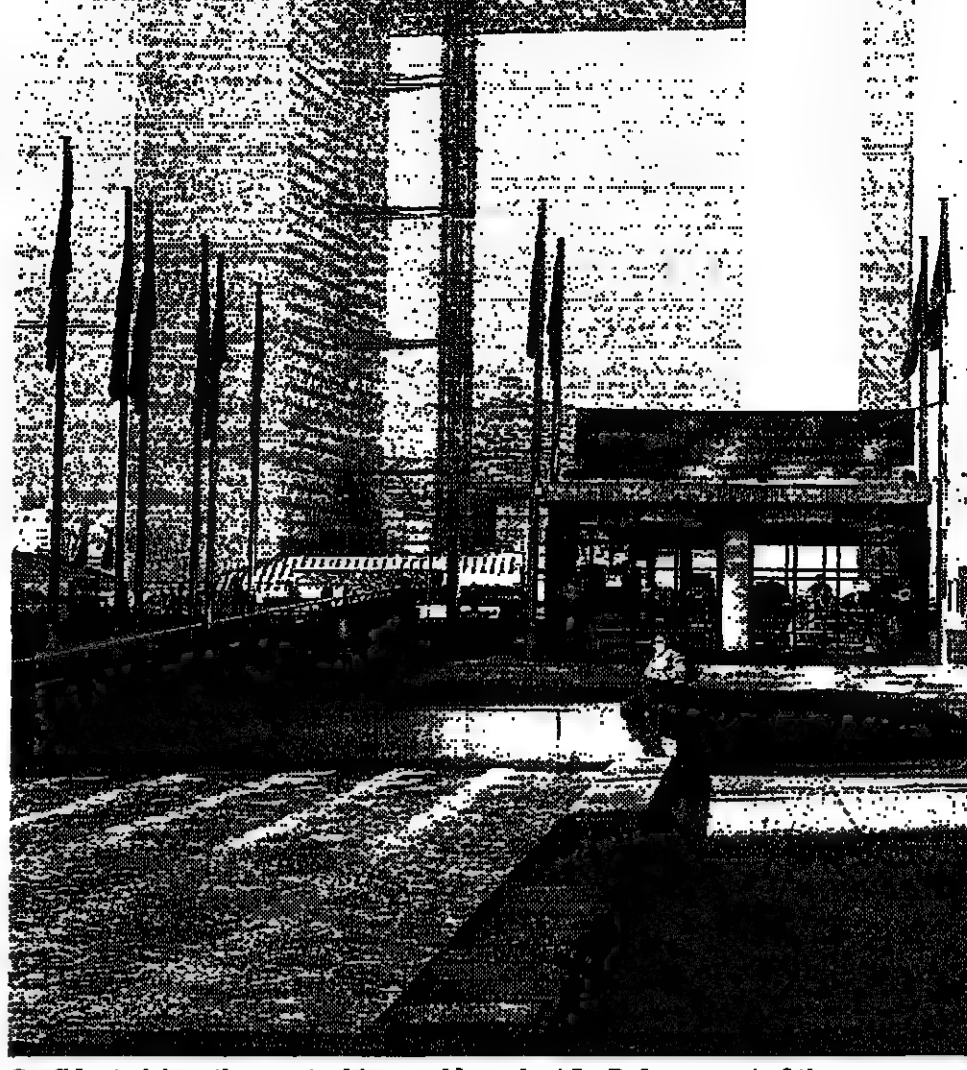
The more sensitive Parisians have always valued the density of their city and its hidden courtyards and alleys. The city needs both the grand statement and the gradual renewal of the *quartiers*. There is a chance in this exhibition to compare, for example, the Parc de Bercy (1990) with Buttes Chaumont (1860); or the

formality of La Grande Arche with the relaxed abstractions of the Parc de la Villette.

The most intriguing period in Paris is, without a doubt, the 1980s and the triumph of socialism, marked by the grand presidential projects and the new urban policies of the city of Paris. In the 1970s, things were not quite so clear; the redevelopment of Les Halles caused much controversy and the rise of the post-modernism of Ricardo Bofill sparked off intense architectural debate.

But President Mitterrand evidently knew exactly what he wanted. His projects are the result of international competition and represent the new wave of modernism. The unknown Dane, Johan Otto van Spreckelsen, designed the great white marble arch at La Defense. The equally unknown Bernard Tschumi, from New York, won the commission for "the park of the 21st century" at La Villette. The president's wish to turn the entire palace of the Louvre into a modernised museum was granted by the American architect I. M. Pei, who provided the most potent symbol in the city with his pyramid in the Louvre courtyard. The ministry of finance now occupies the huge slab overhanging the Seine designed by Chemetov and Huidobro, and the striking new City of Music opened at La Villette last year, designed by Christian de Portzamparc.

With the French elections almost upon us, what will become of the unfinished projects? If the socialist government falls? Will Dominique Perrotti's strange French National Library in the Folbiac district ever house books in its towers? Francis Soler's International Conference Centre on the Quai de Branly, near the



Confident vision: the great white marble arch at La Defense, part of the new wave of modernism, was designed for President Mitterrand by Johan Otto van Spreckelsen

Riffel Tower, proposes three great glass boxes of an intensely minimalist design. Both these projects could well be casualties of a change of government.

Whatever the political outcome of the next few weeks,

Paris remains a city where architecture really matters as a part of the national culture. That just cannot be said of London, where the boom of the 1980s produced so little of architectural merit and our national leaders seem intent

upon the removal of all sense of civic pride from the nation's capital.

Paris: A City in the Making, 17 Queensberry Place, London, SW7. Tel. 071-589 6311 (sponsored by Aeroports de Paris).

Music in New York/Paul Griffiths

Ellen Taaffe Zwilich

The music of Ellen Taaffe Zwilich has made little impression outside the US, but it is different at home, where her scores fly around the country like shots in a pinball machine. Not a year passes without a new symphony, concerto or mighty orchestral piece, always tidily made, practical, uncomplicated, and sure to appeal to orchestral managers from Florida (where she was born, in 1939) to Alaska.

On the very night of the first performance of her Third Symphony, commissioned and played by the New York Philharmonic, Zwilich was also to be heard in Phoenix and Minnesota. And this was only the first of three Zwilich orchestral premieres planned for 1993.

Zwilich's skill is clear from the new symphony - as clear as the cautiousness that may account for such success. She is cautious not to cause expense (so no additions to the standard symphony orchestra), not to trespass too much on rehearsal time, not to exceed the patience of the many audiences she has the right to foresee (so three movements, and the whole work over in 22 minutes) and not to go beyond, either, what the standard repertoire has taught those audiences to regard as the proper stuff of symphonies (so strong themes, strong tonal centres, and a rhetoric of combat).

What comes out of all this is music curiously close to that of another 20th-century symphonist who operated under a machinery of constraints: Shostakovich.

Except for the steamrolling synecopation that shows the

hand of a sometime jazz trumpeter, almost nothing in the symphony would prevent one's hearing it as a Soviet product of 50 years ago, by a composer taking her bearings from Prokofiev (a few moments of spiky glamour reminiscent of *Romeo and Juliet*) as well as from Shostakovich's symphonic procedures: the emphatically stated keynotes, from which the melodies are often hopelessly adrift and isolated; the insistence on germinal motifs (here especially the very Shostakovich-like opening gambit of rising through a minor third by way of a minor second); even the desolated triumphs.

For when this symphony finally returns to the F sharp of its opening, the blazing triads are perched precariously in an unrooted treble, and dominated by the over-bright, unsteady sound of high trumpets and vibraphone. This moment needs a crack performance - and received one. Zwilich also expects much from her violas, placed at the front right, from where they can balance the first violins in voice and action, while the resort to traditional sources of energy and argument inevitably brings the brass ensemble and various woodwind soloists repeatedly to the fore.

Created for the musicians who were so confidently introducing it to the world, the symphony was perhaps created, too, for Kurt Masur, though in the event of his indisposition it was strongly urged by Jukka-Pekka Saraste to this composer's work.

Avery Fisher Hall, New York

Comedy/Antony Thornecroft

Steven Wright

The stage is bare apart from an armchair illuminated by a spotlight. No, not *Mastermind*; something much more challenging and disturbing. A complete scruff wanders on, dressed in black, with his long hair divided by a balding dome, like a mad professor. He sits down, picks up a microphone and is away. "When we landed I forgot to take off my seat belt. I discovered I was hauling the aircraft through the terminal."

For well over an hour Steven Wright, perhaps the most admired of American stand up comedians, fires off terse one liners, which are not exactly jokes, more bizarre twists to accepted speech and reality. The delivery is relentless; the face deadpan; the variation minimal. Yet Wright creates an entirely credible world and lets slip an awful lot about himself and American society.

Some of it is childish riddles: "What do you put under coaters?" Some of it is sixth form word play: "I like to reminisce with people I don't know". Some of it is mildly amusing: "Why are ballerinas always on tip toes? Why not get taller women". And some of it is weird: "You never know what you've got till it's gone. I wanted to find out so I got rid of everything."

This is the kind of act that can get very tedious. I smiled occasionally while all around people were laughing hysterically. The skill is that purple

jokes - "I bought a decaffeinated coffee table" - are easily swallowed in the incessant flow, and that there is a sinister undertow which keeps you hooked. Wright talks a lot about his grandfather, with some typical exchanges. "Here's \$5. Don't tell your mother I'm giving it to you." "It will cost more than that."

The act enters the truly oddball when Wright picks up his guitar to sing about a two-day-old baby girl who he has foretold will become a prostitute. It is disturbingly funny. You realise that there is some method, some underlying cohesion behind what seems to be random quips. The gap between funny-ha-ha and funny-strange has been bridged.

Wright projects the image of the free-wheeling American who takes cops and regulations. Yet there is minimal swearing; minimal political correctness; minimal posturing. There are hints of Tom Lehrer and a bit of Garrison Keillor. Sometimes his desire to turn the real world on its head - "I like to skate on the other side of the ice" - becomes formulaic but Wright is an original, imaginative, rare talent. Like most comedians, you can tell whether you are going to enjoy the act in the first minute. Wright was too predictably smart-assed for my taste, but I can appreciate his appeal.

Dominion Theatre, London

Opera/Max Loppert

La Favorite

When so much about Welsh National Opera's new production of Donizetti's *Faust* is regrettable - singing, musical preparation, production - it may seem perverse to start on the matter of the Italian text that the company has elected to sing. But since this seems to me symptomatic of the central failure of artistic nerve that characterises this important revival, I make no excuse for doing so.

La Favorite (1840) is a French grand opera, the second that Donizetti wrote for Paris. It was regularly performed in that city until 1918, and thereafter kept a toe-hold on the international repertory in Italian translation; but, as every Donizettian knows who has ever compared the two versions even briefly, the standard Italian *Faust* text is a ghastly botch-up of the original.

WNO's general administrator, Matthew Rotherham, is well aware of the overriding argument for performing the opera in its original language (as I know from correspondence with him); its musical director and *Faust* conductor, Carlo Rizzi, admitted on the latest edition of Radio 3's *Opera News* that he would have preferred to do *Faust* in French. So what happened to sway the company's two head-men against their own better judgment?

Enter at this point the Peter Moores Foundation, which has funded the production, and which in the WNO *Faust* programme offers the same rationale that "the [opera's] surviving performance tradition is in Italy and

America, where it is always sung in Italian". What this has to do with the work's revival in Cardiff, and with a cast entirely made up of anglophone singers all taking their roles for the first time, escapes me completely. If the Peter Moores Foundation had also trumped up sufficient cash to pay for Italian stars (Cecilia Bartoli and Giuseppe Sabbatini, say, or even Pavarotti) there would have been some sense in a WNO Italian-language *Faust*. At least the foundation has, for the occasion, also undertaken a revision of the Italian version, which eradicates the notorious narrative nonsense of the standard Italian text (the process of transforming *Faust* into *Faust* ran up against Italian censorship of the mid-19th century, which turned a rigorous gaze on religion and historical personages in opera, and which in this case resulted in garbled points of plot and character).

But this hardly settles the worrying basic question of sponsors exerting influence on a national company's artistic policy. Does language really matter? *La Favorite* is a noble, serious opera - about the struggle between sacred and profane love undergone by the central figure, Fernand (tenor) - in a consciously mastered French style.

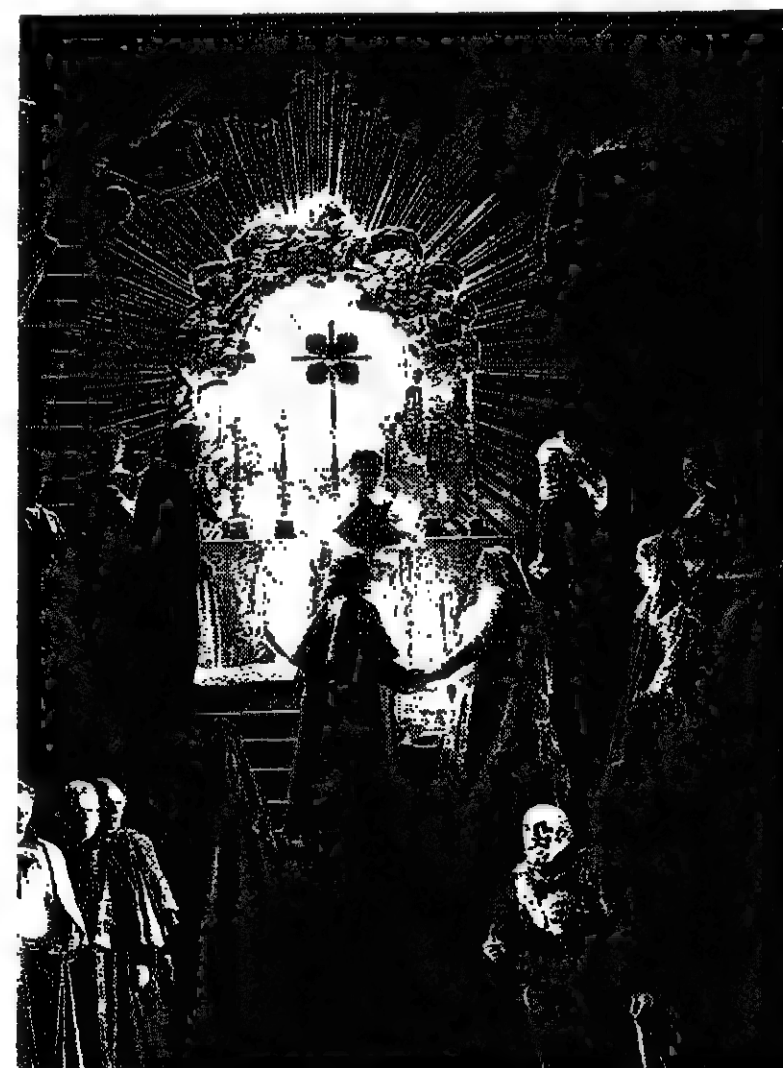
In his works for Paris, Donizetti aimed high, and specifically: the forms are large in scale, the orchestration is careful, and the vocal writing (bar a few run-tun straits) is severely simplified, achieving in solo and duet a spacious singing style that

was to have a powerful impact on Verdi. The French words are clean-cut and clearly meshed with the vocal line; in Italian, and particularly in the very indifferently Italian on offer here, the effect is constantly fussed up.

The larger point about the Cardiff *Faust* performance is that a little-known but significant opera is made to seem second-rate; stiffer, less "animal" alive in its musicodramatic compound than *Lucia* and *Lucrezia Borgia*, and cardboard-y in its characters and situations. In the New Theatre on Friday the music was at once crudely shaped and loudly belted. In the fascinating title-role - mistress of the king, Fernand's guilty, unhappy lover - the Australian mezzo-soprano Bernadette Cullen gave notice of a strong, well-schooled instrument but almost no notion of *bel canto* style. Ditto the Fernand of Bonaventura Botto, the ENO's much-admired character tenor.

The remainder ranged from the just-acceptable to the mediocre. The conductor, who failed to instil respect for dynamic markings in his singers, secured fleet orchestral playing but little sense of larger movement. Renée Wright's production is "modern" in a competently second-hand fashion: stepped basic set, symbolic props, gauze, the all-too-familiar production *lingua franca* of the 1970s. What a disappointment!

New Theatre, Cardiff, then on tour to eight cities, including two performances in WNO's April residence at Covent Garden.



Language problem: Donizetti's *La Favorite* in Cardiff

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE
Staatsoper unter den Linden The main event this week is the premiere on Fri of a new Béjart ballet production, conducted by Daniel Barenboim (repeated March 14, 28, April 4, 10, 15). This week's other performances include a song recital tonight by Robert Gambill, Der Freischütz and Thure, Zar und Zimmermann with Kurt Moll on Wed and Salome with Karen Huffstodt on Sat (200 4762). Komische Oper Tomorrow: first night of new production of Flemming Flindt's 1986 Dumas ballet The Three Musketeers (also Sun). Wed: Bartered Bride. Fri: Les Contes d'Hoffmann. Sat: Entführung (229 2555). Deutsche Oper Tomorrow and Fri: Elektra with Janis Martin and Leonie Rysanek. Wed: Gounod's Faust. Thurs: Jiri Kout conducts revival of Götz Friedrich's production of Mathis der Maler. Sat: Katya Kabanova. Sun afternoon: Peter Schaufuss.

production of Giselle. Sun evening: Balanchine evening (341 0249).

CONCERTS

Philharmonie Tonight: Georg Solti conducts Berlin Philharmonic Orchestra and Berlin Radio Chorus in concert performance of Faust, with José van Dam in title role. Tomorrow: Alexander Lazarev conducts Bolshoy Orchestra in works by Rimsky-Korsakov, Glazunov and Tchaikovsky. Wed: Arditi Quartet plays works inspired by Hölderlin. Thurs, Fri evening, Sun morning: Solti conducts Beethoven's Second Symphony and Shostakovich's Fifth. Sat: Ivo Pogorelich piano recital. March 17: Pierre Boulez begins two weeks of concerts with BPO (2548 6232). Schauspielhaus Tonight: Heinz Wallberg conducts Berlin Symphony Orchestra in a Brahms programme, with violin soloist Viktor Tretjakov. Tomorrow: Italian opera gala. Wed: Collegium Musicum Leipzig plays Mozart. Fri: Arturo Tamayo conducts Berlin Radio Symphony Orchestra in opening concert of Berlin Musik-Biennale, featuring works by Ligeti and Silvestrov. Sat evening, Sun afternoon, next Tues: Edith Wiens and Robert Gambill are soloists in Haydn's Seasons (2080 2156). Friedrichspalast Tonight: Ute Lemper in concert (301 9999).

THEATRE
Deutsches Theater Kammerspiele gives the German premiere of Howard Brenton's Berlin Bertie

on Wed, with a single preview tomorrow (2844 1226). Schiller Theater is preparing a new all-male production of Shakespeare's As You Like It, in a new German translation by Thomas Brasch, directed Katharine Thalbach. First night on Sat (312 6505). Theater des Westens has Cole Porter's musical Anything Goes, daily except Mon (3190 3193). Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater and Konzertkasse, Kurfürstendamm 16 (tel 882 8563 fax 882 8567) and Theaterkasse Im Europa-Center (tel 261 7051 fax 261 9286).

NEW YORK

OPERA/DANCE
Metropolitan Opera Main event this week is premiere on Thurs of Elijah Moshinsky's new production of Ariadne auf Naxos, conducted by Ion Marin, designed by Michael Yeargan, with cast led by Jesse Norman, Thomas Moser, Susanne Mentzer, Ruth Ann Swenson (also March 16, 20, 23, 27, April 1, 8). Tonight: Die Zauberflöte, with Kathleen Battle, Peter Seiffert, Manfred Hamm. Tomorrow and Fri: La fanciulla del West with Ghena Dimitrova. Wed and Sat: Cav and Pag with Teresa Stratas, Vladimir Atlantov (362 6000). City Center Merce Cunningham Dance Co. opens two-week season tomorrow (581 1212). March 16-28 at State Theater: Dance Theatre of Harlem (870 5570).

CONCERTS
Carnegie Hall Tonight and tomorrow: Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by Bruckner and Copland (tonight) and Debussy, Harbison, Sibelius and Stravinsky (tomorrow). Thurs: Pierre Boulez conducts Cleveland Orchestra in Debussy, Bartok and Messiaen, with piano soloist Andras Schiff. Sun: James Levine conducts Aids benefit concert. March 16: Sawallisch conducts Philadelphia Orchestra, with piano soloist Maurizio Pollini. March 20: Christa Ludwig (247 7800).

Alice Tully Hall Tomorrow: Guarneri Quartet, with Bernard Greenhouse. Sun: Keith Jarrett (875 5050). Avery Fisher Hall Sun afternoon: Pinchas Zukerman, accompanied by Marc Neikrug, plays violin sonatas by Bartok, Mozart and Fauré. March 20: June Anderson and Alfredo Kraus (875 5030).

THEATRE
● Putting It Together: a celebration of Stephen Sondheim's music, with Julie Andrews. In previews (Manhattan Theatre Club at City Center, 131 West 55th St, 581 1212). ● Candida: one of Shaw's earliest plays. In previews (Roundabout, Broadway at 45th St, 869 8400). ● Oleanna: David Mamet's powerful drama that stirs up ideological (Orpheum, 126 Second Ave at 8th St, 307 4100). ● The Sisters Rosensweig: Wendy Wasserstein's comedy

with serious undertones, newly transferred to Broadway. (Ethel Barrymore, 243 West 47th St, 239 6200).

JAZZ/CABARET

Blue Note Tonight: Ernie Krivda Jazz Sextet. Tomorrow till Sun: George Shearing Duo plus Jim Hall Trio, showtimes at 21.00 and 23.30. March 23-28: Cleo Laine and John Dankworth (131 West 3rd St, 475 8592). Carlyle Hotel Eartha Kitt is currently holding court (Madison Ave at 76th St, 744 1600).

PARIS

OPERA
Opéra Bastille Tomorrow and Fri: Myung-Whun Chung conducts Denis Krief's new production of Benvenuto Cellini, with Chris Merritt and Diana Montague (in repertory till March 31). Next Tues: revival of Faust with Francisco Araiza (4001 1616). Palais Garnier Sat: Peter Schneider conducts first of seven performances of Johannes Schaa's production of Capriccio, with Felicity Lott, Anne Howells, Theo Adam and Wolfgang Schoene (4742 5371). Opéra Comique Wed, Thurs, Sun: Cyril Diederich conducts Robert Fortuna's production of Mireille, with Maryse Gastets and Michele Command alternating in title role. Runs till March 25 (4286 8883).

CONCERTS
Châtelet Tonight: Hans Zender conducts Ensemble InterContemporain in works by

Stockhausen, Debussy and Boesmans. Tomorrow: Diego Masson conducts Huber, Gesualdo and Dallapiccola. Wed: Nikolai Demidenko piano recital (4028 2840).

Théâtre des Champs-Élysées
Tomorrow: Emmanuel Krivine conducts Orchestre National de Lyon in Berlioz, Mendelssohn, Jarrell and Ravel, with violin soloist Augustin Dumay. Thurs: David Zinman conducts Orchestre National de France in Glinka, Prokofiev and Tchaikovsky, with violin soloist Gil Shaham. March 16: Evgeny Kissin (4720 3637). Salle Pleyel Wed, Thurs, Fri: Kurt Sanderling conducts Orchestre de Paris in Beethoven's Fourth Piano Concerto (Jean-Bernard Pommer) and Schubert's Ninth Symphony. Sat: Jacques Mercier conducts Orchestre National de l'Île de France in Sibelius and Stravinsky, with violin soloist Leonidas Kavakos (4563 0796). Sat in Théâtre de la Ville: Sergei Edelman piano recital (4274 2277).

THEATRE

Jackets: Edward Bond's 1989 tragedy, set in 18th century imperial Japan and modern England, about youth being crushed by the imperatives of power. Till March 27 (Théâtre de la Ville 4274 2277).

JAZZ/CABARET
Lionel Hampton Jazz Club New Orleans jazz trumpeter Terence Blanchard and Quintet: music from 22.30, daily till March 20 (Hotel Meridien Paris Etoile, 61 Boulevard Gouvion St Cyr, tel 4068 3042).

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

MONDAY

Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

WEDNESDAY

Super Channel: Financial Times Reports 2130

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

China this year will join the world's top 10 traders, but it is finding this exclusive club not as welcoming as it might have expected.

The Chinese are being obliged to pay much more attention to trade sensitivities than ever before. Beijing's protracted negotiations on accession to the General Agreement on Tariffs and Trade have provided a focus for the misgivings felt by China's main trading partners over the spectacular improvement in its export performance in the past few years.

For the US, the European Community and Japan, the prospect of China as a world trade power that plays by its own rules is no longer distant. And it should be no surprise that they are all trying, perhaps belatedly, to ensure they are not disadvantaged as competition intensifies.

The challenge they face is writ large in their ballooning trade deficits with China: the US deficit in 1992 exceeded \$18bn, the EC's reached \$9.3bn, and Japan's was about \$5bn. In response to growing restiveness among its main trading partners, China has promised to send buying missions to the US and to Europe. Its officials have also been talking China up as a market for raw materials and equipment. They recently reiterated their forecast of projected imports worth \$350bn to \$400bn in the current 1991-1995 five-year plan.

Chinese officials have also been making much of the fact that the country's overall trade surplus was down sharply last year to \$4.4bn, compared with \$9bn in 1991. They expect it to shrink further this year.

Western governments tend to view these Chinese statements and manoeuvres as little more than a smokescreen, and are maintaining pressure on Beijing to liberalise its trade regime and so enhance opportunities for foreign entry to the Chinese market.

In Beijing last week, Mr Douglas Newkirk, the assistant US trade representative, spelt out what he said were minimum conditions for China's accession to Gatt. These included: a single national trade policy common to all provinces and regions; full transparency of trade regulations (until recently trade was governed by a plethora of secret rules); the gradual removal of non-tariff barriers; a commitment to move to a full market economy; and acceptance of safeguards to protect Gatt signatories from a possi-

Long wait for entry

Tony Walker on western misgivings as China negotiates to join the Gatt

CHINA: TOTAL EXPORTS			
	\$bn		\$bn
1982	21.871	1987	39.542
1983	22.179	1988	47.542
1984	24.631	1989	51.826
1985	27.327	1990	60.920
1986	31.147	1991	70.292
		1992 (10 months to Oct)	62.139

Source: International Monetary Fund



Chinese advance: the quality of equipment has been improving

ble surge in Chinese exports.

It is the latter concern, given China's enormous strides recently as an export power, that is weighing most heavily with the west. An EC official said in Beijing that the Community's principal requirement was a strong safeguards clause, and it was most unlikely to accept anything less.

According to the EC representative, in spite of China's claims to have embarked on a concerted process of trade liberalisation, barriers to entry to the Chinese market abound. Many are derived from bureaucratic interference, such as the difficulties EC dairy products faced overcoming the sometimes arbitrarily applied health regulations.

A decade or so ago China ranked 30th among trading nations with exports of about \$31bn (see chart), which represented less than 1 per cent of world trade. Projected exports this year of \$100bn would account for more than 2.5 per cent of world trade.

The range and quality of its products are also showing marked improvement, with a continuing shift towards more sophisticated manufactured

items, including machinery and transport equipment - sectors where there has been high foreign investment.

Exports of these items rose by about 86 per cent in the first nine months of 1992 compared with the same period a year earlier. They accounted for 16 per cent of total exports last year, up sharply from only 6 per cent in 1988.

China's trading partners have not overlooked the fact that investment is pouring into export-generating industries. In the first 10 months of 1992, some \$37bn was committed to new projects, the bulk located in special economic zones in coastal regions. This compares with \$49bn of contracted direct foreign investment for the previous 13 years of the "open door" policy.

Chinese officials, who a few months ago were predicting that China's accession to Gatt would be a formality, appear to have been taken aback by what they regard as an unhelpful posture adopted by the west. In last week's Gatt negotiations, Beijing resisted US pressure to agree to a safeguards clause, which would enable individual signatories

to impose quota restrictions on items such as textiles and electronic products. It also refused to embrace full market price reform as an eventual goal.

Mr Newkirk charged that China had backed away from earlier commitments. The Chinese, for their part, accuse the west, and the US in particular, of moving the goalposts in the Gatt negotiations.

Beijing is certain to have been disappointed by Mr Newkirk's comment that it was still a "long way" from fulfilling the requirements of Gatt accession. It would also not have been impressed by his observation that China's situation was unique because "Gatt was not written with a socialist market economy in mind". This, Mr Newkirk said, was why it was necessary to negotiate a "boutique protocol aimed exactly and uniquely at the Chinese system".

The Chinese, who are anxious to resolve the Gatt issue quickly to reduce bilateral trade pressures, say it is unfair to impose a special safeguards system on them when other recent signatories, such as several of the former eastern bloc states, have not been obliged to accept the same conditions.

On the eve of the resumption of the talks, Mr Li Zhongzhou, deputy director-general of China's powerful Department of International Trade and Economic Relations, told foreign diplomats that recent reforms had "brought China's trade regime into conformity with the requirements of Gatt".

He cited a long list of reforms, including reductions in import duties, a 7.3 per cent drop in the general level of tariffs by the removal of two-thirds of products from the list of 53 still subject to import licensing, and steps towards abolishing about 75 per cent of China's non-tariff barriers.

"These commitments," Mr Li said, "represent a great challenge requiring domestic industries to make difficult policy adjustments in the face of stronger international competition."

"If these adjustments are reciprocated by greater market access for Chinese goods, our enterprises will manage to overcome the difficulties of adjustment," he added.

China's trading partners, however, burdened by yawning trade deficits, are not showing much sympathy for the testing problems that Chinese industry might encounter in the early stages of trade liberalisation.

Hans van den Broek, the new EC commissioner for external political relations, talks to Lionel Barber and David Gardner

A brief to build bridges

Mr Hans van den Broek is a man trying to carve out a new role, both for himself and the European Community. After 10 years as Dutch foreign minister, he has come to Brussels to stake out what he sees as a growing role for the European Commission in framing a common foreign and security policy for Europe. His ambition is tempered by realism.

The backdrop to his new job as the European commissioner responsible for external political relations could hardly be more unfavourable. Europe is stuck in the worst recession since the second world war, feeding into a crisis of confidence caused by the delay of Denmark and the UK in ratifying the Maastricht treaty, the foundation text for the new EC foreign policy.

As if this were not enough, Mr Van den Broek is fighting for elbow room inside the Commission which has chosen to divide the foreign affairs portfolio between himself and Sir Leon Brittan.

Sir Leon Brittan, Sir Leon takes charge of trade, relations with industrialised countries and aid to eastern Europe. Since trade has until now been the substantive foreign business of the EC, the Brittan camp has been crowding about where the real power lies.

"Van den Broek will do the hand-shaking; Leon will do the horse-trading," smirked one of Sir Leon's allies.

Sitting in front of two Dutch masters in his office last Friday, Mr Van den Broek, a patient man with a faintly clerical air, appeared relaxed about a job he insisted he had sought. True, he was still struggling with Sir Leon over the division of power and staff within the bureaucracy, which he described as a "constructive uphill fight". But he remained confident that he would secure "certain minimum tools" to do his job.

Mr Van den Broek is clear there is a job to be done. After the collapse of communism in the east and amid doubts about the long-term military commitment of the US to Europe, the EC - until now a purely civil power - is moving hesitantly to fill the vacuum. Maastricht is about coming to grips with



Van den Broek: realistic

and Albania. Eventually, Mr Van den Broek can foresee the Baltic republics coming aboard.

The commissioner believes that closer ties of this nature could act as a catalyst to closer economic integration between eastern and western Europe. But he is honest enough to admit that the EC has not been sufficiently generous with market access. "I sense a growing sentiment among member states that we have to make a greater effort."

On Russia, Mr Van den Broek is much less categorical. The economy is struggling, yet amid the chaos there are still untapped western credit lines. "I am not convinced that financial transfers are the main problem." Instead, he calls for the whole international community to show unequivocal "solidarity" with Mr Boris Yeltsin, the Russian president.

On March 26-27, Mr Van den Broek and a host of EC foreign ministers will be in Moscow hoping to hear from Mr Yeltsin "what other means may be needed" to underpin economic and political reform. As a long-time Atlanticist - "Euro-Atlanticist", he corrects - the Dutchman is convinced of the need for a full US role. "The US remains, also for [us] in Europe, the natural counterpart of Russia."

It is not, therefore, surprising to learn that Mr Van den Broek has been quietly urging EC support for President Clinton's Bosnian air-drop initiative.

This is part of a broader view that the US - and most likely Russia - must be involved in enforcing a political settlement in former Yugoslavia, if and when it comes. The problem in the past was that "the parties were led to believe that undertakings reached at the negotiating table would never be enforced."

Mr Van den Broek presided over the purely European effort to broker peace in Yugoslavia when he chaired the EC's Council of Ministers in the second half of 1991. While loath to undermine the EC's role as by far the largest donor of humanitarian aid, he acknowledges that "the Community has often given the impression of division", notably when Germany pressured the 12 into premature recognition of Croatia in January 1992.

He draws the comparison with the EC's swift and united response to the August 1991 coup attempt in Moscow. Here the Community had an old enemy in its sights, and reacted almost reflexively. Post-cold war, however, the Community was forced to deal with a resurgence of ethnic rivalries and nationalism in the east which in the west had largely been consigned to the past. The result was that France recalled its historic links with Serbia and Germany its ties with Croatia. The Franco-German axis which carries the EC forward did not work.

At the time, as the commissioner acknowledges, he was bitterly at odds with Mr Josip Djindjic, the German foreign minister. Mr Van den Broek now wonders whether "my colleague Mr Genscher would be as angry with me about my position [on recognition of Croatia] as he was then."

The lesson he believes the EC should draw applies not only to Yugoslavia, but also to its post-cold war relationship with the fragmenting east of the Continent as a whole. "I do not dispute the right of self-determination for one moment. But we are also prepared to defend that recognition in the event of an appalling state of violence - the extent of which we could barely imagine."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Two sides to stories of oppressed Russians

From Mr Eugene M Iwanowicz.

Sir, The Financial Times is to be applauded for its editorial ("Russia's backyard", March 2). President Yeltsin's call for the United Nations to grant Russia "special powers" is simply a request for justification of Russian imperialism. Russia is not the solution but the problem in many of the conflicts in the former Soviet Union. In Moldova, for example, it is the Russian 14th army which induced the conflict among the various ethnic groups. It is the Russian 14th army which is now illegally dismembering this sovereign nation.

While the FT expresses concern about treatment of the 3m ethnic Russians living outside Russia, it expresses no such concern about Russian treatment of a similar number of non-Russians living in Russia. While there are about 11m Russians in Ukraine (22 per cent of the population), almost 50 per cent of the schools are taught in the Russian language. But there are no Ukrainian-language schools for the 5m Ukrainians living in Russia (almost 1m in Moscow alone). Yet Russia claims Russians in Ukraine need protection!

The reaction of some of the newly independent nations toward Russians, if not defensible, is at least understandable. Many of the Russians came to these nations as conquerors and now expect to retain their privileged positions while refusing even to learn the local language.

Did the world expect France to continue the special privileges of German occupiers at the end of the second world war? The only differences are that the Russians occupied these nations longer and were more vicious toward the native populations.

Let us keep these issues in perspective and not be swayed by a new wave of propaganda emanating from Moscow. Eugene M Iwanowicz, Ukrainian National Association, Suite 859, 400 North Capitol Street NW, Washington DC 20001

Maxwell pensioners deserve security without further delay

From Mr Kenneth Trench.

Sir, Your report on the Serious Fraud Office's effectively stopping the select committee's investigation into the Maxwell pensions scandal ("Maxwell pensioners suffer setback", February 27) highlights the frustration and mental anguish the pensioners have been suffering for more than a year. The slow process of criminal justice for the few is hampering moral justice for 30,000. The select committee chairman, Frank Field, says his inquiries will continue after relevant criminal proceedings have been completed. Best estimates are that the Maxwell trials will not even begin before the end of next year.

The Maxwell pensioners have claimed that the cause of their dilemma is inadequate

protection of pension investment under the Finance Services Act and lack of proper delegation of regulatory powers by the Department of Trade and Industry to the Investment Management Regulatory Organisation. The report on IMRO's actions in relation to Maxwell pension funds was promised by the Securities and Investment Board to Maxwell pensioners early last year. Fortunately for some, it was not produced until after the arrest of the Maxwells in June. The report immediately became *sub judice*, destroying at a stroke the pensioners' opportunity to prove quickly their case for compensation.

When the report finally surfaces for Mr Field's committee to resume its investigations it will be useless to many pen-

sioners. By then several hundred will have died.

The human dimension of the misery of the Maxwell pensioners makes this a City and political scandal that will not go away. With regulation as it now stands, it could be argued that anyone investing in a pension scheme should insure it against fraud, as they would insure their home against fire.

The government should act now to first give long-term security to the Maxwell victims and then quickly to implement change in an effort to give pensions back the image of security they once enjoyed. Kenneth Trench, chairman, Maxwell Pensioners Action Group, 12 Briar Hill, Purley CR8 3LR

Sellafield discharge actually very small

From Mr JRS Guinness

Sir, Bronwen Maddox reports ("Sellafield has second leak", February 26) that British Nuclear Fuels discharged more than seven times the usual weekly amount of radioactive iodine at the Sellafield nuclear site during the week ending February 13.

To the layman this would appear to be a huge amount. But the radioactive impact of

this release on the most exposed member of the public living near the site is equivalent to that which would take place during a 15-minute flight on a passenger aircraft.

The fact that we have such sophisticated measuring devices at Sellafield which can detect such minute amounts should, in itself, be reassuring to the public. Unfortunately, detecting discharges which

result in such small dosages requires detailed analysis. That inevitably means a delay between the actual release and its detection. That is why there is a delay in the reporting of such incidents.

JRS Guinness, chairman, British Nuclear Fuels, Risley, Warrington, Cheshire WA3 6AS

BR's pension obligation

From Mr Sean Hand.

Sir, I concur with your view ("Pensions at Risk", March 3) that dilution of benefits will do nothing to enhance confidence in a pensions system which has suffered gravely from the activities of the late Robert Maxwell.

Reviewing the government's proposals for railway pensions after privatisation, I came across the following paragraph: "The government will need to be satisfied that the method of allocation of surplus assets strikes a fair balance between all interested parties, including contributing members, pensioners, deferred pensioners, current and prospective employers, and the taxpayer who is contributing through

the government support contributions."

A statement like this from any other sponsoring employer of an occupational pension fund would raise eyebrows even of those taking the broadest view of conflicts of interest.

It seems to me that the government is in a position comparable to that of an employer in such a scheme. Perhaps the most appropriate way to determine the distribution of surplus assets within the BR's pension fund is by the appointment of a truly independent trustee body.

Sean Hand, pensions partner, Dibb Lupton Broadhead, 125 Lupton Walk, London EC2Y 5AE

Options for encouraging lower payouts

From Mr Christopher Haskins.

Sir, Barry Riley ("The long view", February 27/28) is of course correct when he points out that British companies pay out too much dividend and retain insufficient funds for reinvestment.

The chancellor can mitigate this situation at no cost to the Treasury by increasing taxes on distributed profits and/or reducing taxes on profits retained for reinvestment.

Christopher Haskins, chairman, Northern Foods, Bevelly House, St Stephen's Square, Hull HU1 2XG

INVITATION FOR INTERNATIONAL PUBLIC TENDER

CONCESSION OF DRINKING WATER AND SEWAGE DRAINAGE SERVICES CURRENTLY PROVIDED BY DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS) [PROVINCIAL BOARD OF SANITARY WORKS] OF THE PROVINCE OF TUCUMAN

Law N° 6071. Decree Ac. N° 07/1 - 93; Decree N° 298/3/93

FIRST STAGE

OBJECT: CALL FOR PREQUALIFICATION OF BIDDERS INTERESTED IN THE CONCESSION.

OPENING OF TENDERS

PLACE: HOUSE OF GOVERNMENT, White Hall, located at 90, 25 de Mayo St., 1st. Floor, City of San Miguel de Tucumán. REPUBLIC OF ARGENTINA.

DATE: April 19, 1993 (19.04.93) at 12.00 a.m.

VALUE OF BIDDING CONDITIONS: U.S. \$ 10,000.-(U.S. Dollar Ten Thousand).

SALE OF AND ENQUIRIES UPON BIDDING CONDITIONS: Bidding Conditions may be enquired upon or purchased as from February 18, 1993, (18.02.93) at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), Telephone 31-0162 Fax 31-0297, located at 129 Montecarlo St., in the City of San Miguel de Tucumán (Mail Code 4000), Republic of Argentina, or at the CASA DE TUCUMAN, located at 823 Bartolomé Mitre St., in the Federal Capital City of Buenos Aires, Republic of Argentina, Telephone: 40-4994 / 40-0655 - Fax 40-5185.

SUBMITTAL OF TENDERS: Bidders may submit their respective tenders at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), located at 129 Montecarlo St., in the City of San Miguel de Tucumán.

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Monday March 8 1993

The pleas for manufacturing

THE PRIME minister has said manufacturing matters and who could possibly disagree? But to leap from that proposition to the belief that manufacturing is more real and reliable than other forms of activity is heroic; to leap to the view that manufacturing should be specially favoured by government could prove disastrous.

People who believe that only manufacturing is economically important need to wander about the industrial graveyards of eastern Europe and the former Soviet Union. People who believe that manufacturing must generate increased employment in the UK need only look at the statistics for virtually all developed economies, including Japan. It is rather more relevant that UK manufacturing output last year was just 1 per cent higher than in 1973. This does seem to be saying something, especially when the economy grew by more than a third over the period and Britain went into deficit on manufactured goods a decade ago.

In the long run an advanced country cannot increase its indebtedness to the rest of the world without limit. So demand for and supply of tradable goods and services need to be roughly equal over the long run. Since manufacturing is the preponderant tradable element in the economy, its poor performance must say something about the prospects for long-term economic growth.

Before deciding what needs to be done, however, one needs to understand why manufacturing has grown so little. The most plausible explanation is that deep-seated weaknesses of the economy show up in parts of the economy most exposed to international competition. If so, the weakness of manufacturing is not a cause of the UK's economic problems, but rather a symptom.

Two time scales

Possible remedies can be viewed on two different time scales. The worsening position in the 1980s can, for example, be attributed to specific mistakes in economic policy: too high an exchange rate, and too much stimulus to demand. The short-term corrective - a massive real depreciation of sterling - has already been applied.

There may be more to it than that. Professor Nick Crafts, an

economic historian at Warwick University, points out that the UK had a 30 per cent share of world trade in manufactures at the start of the century. It now has less than 9 per cent. Germany had 20 per cent then and has 20 per cent now. In Prof Crafts' view, Germany's success can be put down to a policy of accumulating long-term assets such as human skills and research. UK manufacturers are hampered by short-term pressures from their shareholders. The answer is to change company law and make takeovers more difficult.

At this point one starts to feel uneasy. It is one thing to argue that the long-term solution for British manufacturers is to establish a more stable and reciprocal relationship with both capital and labour, on the German and Japanese model. But the beneficial effects of any changes in the law would be uncertain, while they would impose substantial costs.

International exposure

Meanwhile, the government is under pressure to help industry on other familiar fronts, such as export credits and advance corporation tax. On the first, it can be argued that the chief point of export credits is to help companies do business in countries where there is little security of payment. Shipping out goods without payment is not an export but a gift, however financed.

As for ACT, the system has anomalies. But the simple answer is to pay less in dividends. This brings us back to short-termism and the need for a more stable relationship between companies and shareholders. But this is a matter best hammered out between the parties themselves.

Manufacturing is not self-evidently more important than all other activities. It is just more enmeshed because it is more internationally exposed. Salvation does not lie in schemes in favour of manufacturing as a whole, still less in favour of particular industries. The answer lies partly in government policies that improve the performance of the UK economy. But it also lies in the hands of British industrialists. If the Japanese can make internationally competitive products in the UK, why do their British equivalents find this so difficult?

The stakes in Hong Kong

WITH LONDON and Beijing apparently preparing to resume talks on Hong Kong and the governor calling for a "spirit of realism" about them, the people of the colony might be getting a familiar feeling: that their future is about to be decided without their participation. Mr Chris Patten may vow that the Legislative Council (LegCo) will never be a rubber stamp for the executive, but it is difficult to see how the government's concerns would proceed if an eventual Sino-British agreement were rejected by LegCo.

Nevertheless, the conciliatory noises emanating from both sides do not necessarily presage the end of Mr Patten's proposals for political development. China's blanket opposition to them last October has now been replaced by a willingness to talk. Even if that is in essence a delaying tactic, it also represents an acknowledgement that the propaganda campaign against the governor has failed. Support in London remains solid, and the community in Hong Kong is still broadly behind him. Moreover, Mr Patten's proposals have brought a deepening of political debate within Hong Kong. The colony's politicians have assumed a greater responsibility for its future, and this will be hard for the future sovereign power to ignore. China has consistently maintained that the future of Hong Kong is a matter for talks with Britain, not with the Hong Kong government and certainly not with LegCo. But it would now have to hesitate before insisting on a solution which ignored LegCo's express wishes.

Differing views

As it will be in charge in a little over four years, China stands to gain from satisfactory resolution of this problem - in effect, a test of the "one country, two systems" approach which Mr Deng Xiaoping devised as the means to re-absorb lost territories. There can be little real confidence in Hong Kong's economic future if Beijing does not allow it to develop a system of its own, within the framework already agreed between Britain and China.

Clearly there are differing views within the Chinese government about how to handle the present dispute. While systematically

attempting to undermine the governor, the Hong Kong and Macao Affairs Office of the State Council is participating in an investment venture which will give it a direct stake in maintaining the confidence of financial markets. In 1992 alone, China is estimated to have invested US\$200m in Hong Kong. Planned listings of Chinese companies on the Hong Kong stock market indicate a central role for the territory in China's development. With its stake in Hong Kong's future growing, Beijing has an interest in obtaining a solution of the present dispute which bolsters confidence.

Room for compromise

Despite the apparent gulf between London and Beijing on political development, there is scope for a compromise which could satisfy both sides, combining convergence with the post-1997 Basic Law and greater democratic representation. This must be the goal of any talks. Such a compromise would greatly bolster confidence and would probably meet one of Mr Patten's key principles - that the solution be acceptable to the people of Hong Kong. He has said from the start that the Hong Kong community's desire for more democracy was balanced by a desire for convergence with the Basic Law, and that China's opinions had to be taken into account.

Since it would be silly to squander the opportunity for talks by precipitate action, the current delay in putting Mr Patten's programme to LegCo is not important. But LegCo must eventually be allowed to debate amended proposals, or the current ones if there are no Sino-British talks.

The fact that the possibility for compromise exists does not, of course, mean that there will be one. China has got virtually everything it wanted out of talks with Britain on Hong Kong. But regardless of the finer points of negotiation, Mr Patten's open approach has forced greater recognition of the realities of Hong Kong's future and has drawn Hong Kong more into the process of developing its own "system". It is good for the long-term interests of Hong Kong - and therefore, ultimately, of China. He deserves continuing support.

WELCOME to the Bill and Andy Show," says Bill Gates, chairman of Microsoft, as he mounts a stage with Andrew Grove, chief executive and president of Intel, to introduce the latest product of their companies' joint efforts to bring video pictures to the personal computer screen.

Lately, the "Bill and Andy Show" has become the most closely watched act on the information technology stage as Intel and Microsoft assume the role of industry leaders against a backdrop of rapidly shifting technology trends.

Long the dominant suppliers of microprocessors and personal computer software - the "brains" inside the personal computer and the programs that control its functions - Intel and Microsoft have emerged over the past couple of years as the most powerful companies in the computer industry. Not since the heyday of International Business Machines has there been such a concentration of power in the sector. Just as "Big Blue" was unassailable in the 1970s and early 1980s, now Intel and Microsoft appear unbeatable. Each company commands its field - Intel as the world's largest chipmaker and Microsoft as by far the biggest supplier of PC software.

However, as the West Coast duo - Intel of California and Microsoft of Washington state - prepare to expand their territory beyond the PC market with the introduction of more powerful chips and software for higher-performance computers, their strength is about to be put to the test. Both aim to use their mastery of the PC market to dominate the next phase of computing technology as microprocessor chips become the building blocks for more powerful "servers" - computers that feed information to networked PCs.

"The microprocessor chip has destroyed the oligopoly of the frame and minicomputer makers," says Andrew Grove, inventor over 20 years ago by Intel, this miniature information processor has replaced custom-designed processing units and facilitated the mass production of personal computers. Microprocessors have now become so powerful that they rival the performance of minicomputers and mainframes, the traditional workhorses of information processing technology.

"The model of the 'old' computer industry has been broken by the microprocessor," says Mike Maples, executive vice president of Microsoft. "In the past, the manufacture of computers, the creation of software and support services were all provided by a few tightly integrated companies such as IBM and Digital Equipment."

This structure is being "busted" by the advent of low-cost computers based on microprocessors, says Grove. The "new" computer industry is becoming increasingly segmented into hardware, semiconductor, software and service specialists.

IBM's financial problems demonstrate the impact of this shift in the balance of power. In January, it reported net losses of almost \$50m for 1992 and it is rapidly "downsizing". It plans to cut 25,000 jobs this year after reducing its workforce by more than 40,000 last year.

The same technology and market forces that have blown IBM off course have benefited Intel and Microsoft. Intel's 1992 sales rose 22 per cent to \$5.4bn and net profits were up 30 per cent at \$1.07bn. For fiscal 1992 ending in June, Microsoft recorded a 50 per cent jump in revenues to \$2.8bn, while net income rose 53 per cent to \$708m.

Microsoft and Intel are dwarfed by IBM's revenues - \$6.4bn in 1992 - but they have become the "keepers of the flame, the keepers of industry standards," says Roger McNamee, of Integral Capital Partners, an investment partnership. Computer users now look to them, rather than to IBM, to map out the future of information technology. "Microsoft's products are at the forefront of most customers' long-term computer systems strategies," says Mort Rosenthal, chair-

Microsoft and Intel are seeking to reinforce their dominance in information technology, says Louise Kehoe

The hottest act in town

man of Corporate Software, a US distributor of software.

But doing business with Microsoft "is like water-skiing behind the Queen Mary," he says. "When you do business with Microsoft you do business their way."

Similarly, computer manufacturers are forced to follow Intel's lead. As the sole supplier of leading-edge microprocessors, Intel can dictate when new computers are introduced by its customers. In a recent confidential letter to customers Intel even specified the prices that it expects them to set for the next generation of PCs.

If Intel's customers are unhappy, they are not saying so publicly. Competitors, however, are less reticent. Intel has built an "illicit monopoly" in the microprocessor market, says W J Sanders III, chairman and chief executive of Advanced Micro Devices, a semiconductor rival that has engaged in a legal feud with Intel over rights to microprocessor technology.

Microsoft has also been accused of abusing its power. In particular, competitors charge that its use of "per-processor" licensing arrangements for PC software restricts competition. Under these arrangements, Microsoft gives discounts to PC makers who agree to pay a licensing fee for every PC they sell. This makes it difficult for competitors to persuade PC makers to offer alternative operating systems.

Such complaints have drawn the attention of the US Federal Trade Commission, which recently completed anti-trust investigations of both companies. The outcomes of these investigations have yet to be determined. However, the FTC is not expected to take action against Intel and the commission last month split over whether to seek an injunction against Microsoft.

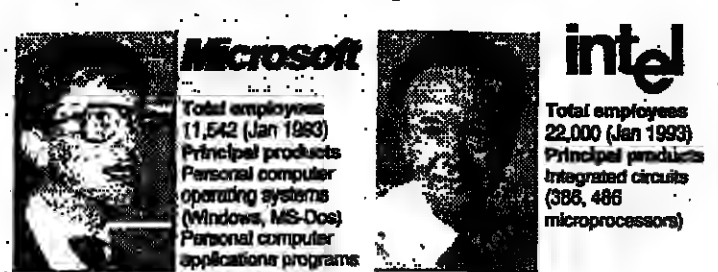
Even if the FTC does nothing, the dominance of Intel and Microsoft will remain a controversial issue in the computer industry. Steve Jobs, chairman of Next Computer and the former chairman of Apple Computer, has publicly called for the break-up of Microsoft. He fears the company's control over the software market discourages innovation and limits competition.

Microsoft maintains that complaints by rivals are just "sour grapes". "Leading an industry does not mean that you win popularity contests," says Maples, who spent 23 years at IBM before joining Microsoft. He says that joining IBM has become the industry's latest whipping boy, just as IBM was.

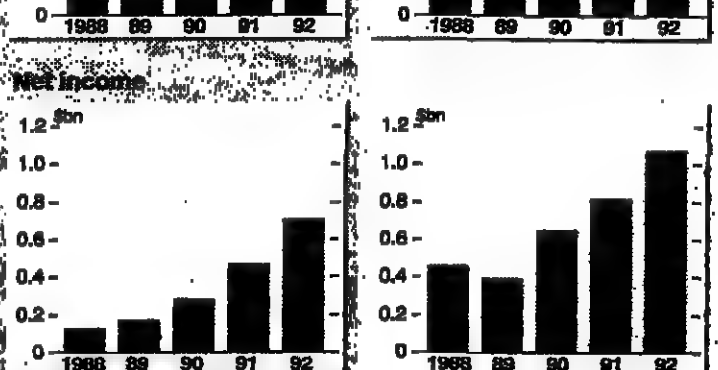
Despite such comparisons with IBM, Microsoft and Intel claim they have no ambitions to become industrial giants. "We are a maker of building blocks," says Grove of Intel. The company will continue to concentrate primarily on manufacturing chips and PC add-on circuit boards, he says. Microsoft also aims to remain focused on its "core competences" - developing and selling software that makes computers easier to use. "We have avoided getting into the hardware business," says Maples, adding that Microsoft is deliberately limiting its rate of growth. "It is not that there aren't plenty of opportunities, but you can get fat and lazy" he explains.

Intel and Microsoft nonetheless have plans to expand their markets with important products that will be launched shortly. These are:

Microsoft and Intel: a dynamic duo



Microsoft's sales have grown from \$1.1bn in 1988 to \$2.8bn in 1992. Intel's sales have grown from \$1.1bn in 1988 to \$5.4bn in 1992. Both companies show significant growth over the period.



Microsoft's stock price has risen from around \$20 in 1988 to over \$100 in 1992. Intel's stock price has risen from around \$20 in 1988 to over \$100 in 1992. Both companies show significant growth over the period.

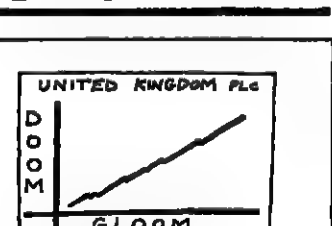
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OBSERVER



former opera singer who provides the entertainment at an "Italian Opera Buffet" in one of the restaurants each Friday night. Clinton and Yeltsin will be spared that treat, however, as the summit doesn't start until the Saturday.

to the average margin on personal lending being between 3 and 6 per cent. "Such generalisations no longer work," says Hands. "Personal loans currently carry APRs in the order of 20 per cent against a base rate of, say, 7 per cent. Unauthorised borrowing can be charged at 30 per cent or more!" The exclamation mark, by the way, is his.

Catch phrase

However anxious anyone may be to flatter Italian business contacts nowadays, it would be as well to avoid referring to them

big inconvenience to that person. But if a bank's transaction register falls, millions of dollars may be lost. Microsoft has no experience in supporting such customers," says Mr Bill Bluestein, senior market analyst at Forrester Research, a market research and consulting group.

Windows NT may also face stiff competition from Unix, the widely-used operating system developed by AT&T and recently acquired by Novell, one of Microsoft's few serious rivals.

Unix supporters dismiss NT as an unknown entity. "NT is like a blind date - you don't know what she is going to look like until she turns up at the door," says Scott McNealy, chairman and chief executive of Sun Microsystems.

Intel's Pentium faces fewer obstacles, but it is not without competition, some of it created by Windows NT. The new Microsoft program will be able to run on microprocessors from Intel's rivals such as Digital Equipment and Intergraph. However, these companies pose little threat to Intel's dominance in the PC market because they do not have the production capacity to make the millions of microprocessors that the PC industry consumes each year.

More challenging are rivals such

as AMD that are producing similar versions of Intel's existing products. Already, AMD has claimed more than 50 per cent of the market for 386s, the third generation of Intel microprocessors.

The almost simultaneous introduction of Pentium and Windows NT "is a total coincidence," says Paul Maritz, Microsoft senior vice president. But the two companies did work closely in the development of the products.

Such collaboration has been common since Intel and Microsoft were chosen by IBM to supply microprocessors and software for its original PC more than 10 years ago.

"We have a very large area of common interest. We co-operate very well and our technical people spend a lot of time together," says Maples. "Both companies have a vested interest in the structure of the industry as it exists today," adds Maritz, who worked for five years at Intel before joining Microsoft. "We are both motivated to ensure that it keeps growing."

To this end, they are jointly proposing an industry standard for video display technology which allows the transmission of moving pictures on computer screens.

Yet both Microsoft and Intel have other partners. "The success of Microsoft can't be tied to the success of Intel," Maples says. "If either one of us drops the ball there are others ready to pick it up," agrees Grove.

The partnership is expected to face increasing pressure. "The alliance between Microsoft and Intel is a marriage of convenience," says Roger McNamee. "It has been rewarding to both companies, but the opportunities for Microsoft's interests to diverge from those of Intel are increasing with the introduction of Windows NT. As the focus moves from stand-alone desktop PCs to networks, pressure is mounting for Microsoft to make its systems compatible with multiple [microprocessor] platforms."

Both Intel and Microsoft may also prove vulnerable to the next "technology shift": the introduction of a radically new technology. "That is the great danger. We think about it a lot," acknowledges Maritz. One such shift which concerns Microsoft and Intel is the emergence of pocket-sized "personal communicators", devices that combine a PC, a telephone and a facsimile machine in a hand-held device.

"The benefits of compatibility with existing PC standards are not clear in this emerging market," says McNamee. Intel and Microsoft could be followers, rather than leaders, in what many industry analysts are predicting will become a multi-billion dollar market.

Another threat could be "object-oriented technology", a method of streamlining the lengthy process of writing new software application programs. James Cannavino, IBM senior vice president, predicts that "objects" will sharply increase the productivity of programmers. IBM is in the forefront of this technology through a joint venture with Apple Computer, called Taligent. But Maritz dismisses IBM's claims. "Object-oriented technology is the software industry's equivalent of 'liquid X' in soap powder," he says.

IBM is also working with Apple and Motorola, the number two US chip maker, on a range of microprocessors that could dislodge Intel's power in the PC sector. But Grove doesn't give the IBM alliance much chance of beating Intel in the microprocessor market. "They are building a new railroad to a different gauge," he says. The value of existing "rolling stock", or software in the computer world, is a big disincentive to change.

Yet the history of the computer industry suggests that technological change will overtake today's industry stars. While "Bill and Andy" hold centre stage in today's IT show, the lead roles have yet to be cast in the next act of this industry drama. There are plenty of emerging players and established acts waiting in the wings for an opportunity to upstage them.

OBSERVER

as VIPs. With the anti-corruption clampdown in their country, the acronym has come to stand not so much for "very important person", as for *visto in prigione* or "seen in prison."

Time check

Race against the clock. That is the message of new statistics for hurried drivers using London's notorious M25 motorway. The Automobile Association says that of the 403 serious delays on the orbital road last year, the majority were on the clockwise carriageway. Mind you, the benefit of travelling in the other direction is scarcely compelling. The clockwise ring had 206 hold-ups, one for every 1,017 yards of its 119 miles. The opposite carriageway had 197, one for every 1,063 yards or, in terms of delay-free distance, an extra 139ft 4in.

Translated

Although their hearts swelled with pride, the cricket-loving British accountants visiting the test match in India could hardly believe their ears.

As representatives of CIMA, the 33,000-strong Chartered Institute of Management Accountants, they knew that its Indian membership was only about 250. But as they took their seats, with the home eleven already out on the field, the whole arena rose and began shouting "CIMA... CIMA..."

Then the penny dropped. Not wanting a spinner to open the bowling, the crowd was demanding a seamer.

World Weather		°C				°F				°C				°F							
		Boulogne	C	8	46	Frankfurt	C	8	46	Managua	S	16	61	Opototo	S	17	63	Tamirite	S	19	66
		Brussels	C	5	41	Geneva	S	9	48	Manila	S	18	64	Ormaiztegui	S	3	37	Tokyo	C	16	61
		Budapest	F	3	37	Gibraltar	S	13	55	Medan	S	13	55	Panama	C	8	46	Toronto	F	-5	23
		Buenos Aires	F	17	63	Guangzhou	C	16	61	Mexico City	S	13	55	Quito	S	3	37	Yokohama	C	15	59
		Cairo	S	18	65	Helsinki	S	2	28	Osaka	F	21	70	Rangoon	C	3	27				
		Cape Town	S	27	81	Hong Kong	S	23	73	San Francisco	F	17	63	Shanghai	F	10	50	Vladivostok	S	8	46
		Caracas	C	28	82	London	C	15	59	Sao Paulo	S	17	63	Singapore	S	34	93	Washington	S	16	61
		Casablanca	C	15	59	Manila	S	9	48	Santiago	S	9	48	Sao Paulo	S	12	54	Warsaw	C	-2	28
		Chicago	F	1	34	Islamabad	C	23	73	Sao Paulo	F	-1	29	Stuttgart	S	1	34	Washington	F	-1	30
		Colombo	S	13	55	London	C	15	59	Sao Paulo	F	-1	29	Suzhou	C	11	52	Yokohama	C	15	59
		Copenhagen	C	4	39	Jakarta	C	32	90	Manila	C	3	37	Singapore	C	7	45				
		Cork	S	9	48	Johns Hopkins	C	24	75	Nairobi	F	12	54	Singapore	C	-1	29				
		Dallas	F	6	43	London	C	15	59	Osaka	F	21	70	Singapore	C	1	34				
		Dublin	C	6	43	London	C	15	59	Osaka	F	21	70	Singapore	C	1	34				
		Dubrovnik	S	10	50	Los Angeles	F	18	61	Osaka	F	21	70	Singapore	C	1	34				
		Edinburgh	C	8	43	Luzon	C	14	57	Osaka	F	21	70	Singapore	C	1	34				
		Faro	S	25	77	Madrid	F	10	50	Osaka	F	21	70	Singapore	C	1	34				
		Florence	S	11	52	Madrid	F	10	50	Osaka	F	21	70	Singapore	C	1	34				

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INSIDE

**Time Products buys
Leiber handbags**

Time Products, the UK watch and jewellery distributor, has paid \$17m for the business of Judith Leiber, an American who designs luxury handbags for the international jet-set. Hollywood stars are among customers prepared to pay several thousand dollars for a handbag made by Mrs Leiber, 72, who started her business 30 years ago in New York. A designer bag presented to Mrs Barbara Bush was valued at \$1,245. It showed a likeness of Millie, the presidential couple's pet. Page 16

Decision time at Banesto

On Friday Banesto, Spain's third largest bank, announced it had sold its biggest banking subsidiary, Banco de Madrid, to Deutsche Bank for Ptas42bn (\$365m). Mr Mario Conde (left), chairman of Spain's third largest bank, must now decide what to do with the profit of Ptas30bn. Page 17

First Data sale raises \$1.2bn

American Express, the US financial services group, is planning to sell more than half its majority stake in First Data Corporation. The disposal could bring some \$1.2bn into American Express which suffered a painful profits setback last year. Page 17

Markets halt German rate cut

When the Bundesbank announced a 24-basis point cut in its 14-day repurchase agreement, the move was taken by the markets as final confirmation that it is embarked on a steady course of substantial cuts in short-term interest rates. Page 18

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.4 according to IBES, the consensus estimates service (last week: 14.2). This compares with an IBES estimated p/e for the "500" of 17.7 (17.4) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 18.14 (17.74).

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FDA says Glaxo made misleading claims

By Paul Abrahams in London

GLAXO, Europe's biggest drugs group, has been accused by the US Food and Drug Administration of making false and misleading statements about Zantac, the world's best-selling medicine with annual sales of about \$2bn (\$2.84bn). The FDA says the company "frequently suggests unapproved uses for Zantac and consistently makes comparative efficacy and safety claims that are not supported by adequate data". It has asked Glaxo to write to all US doctors correcting the statements.

The agency says Glaxo made misleading statements about the safety of Zantac, an ulcer treatment, compared with other drugs in its class, notably SmithKline Beecham's Tagamet and Merck's Pepcid. It also says Glaxo made unsubstantiated claims about the drug's effectiveness. The drug represents 45 per cent of Glaxo's turnover. Analysts believe annual US sales are about \$1.4bn.

Last month, Glaxo Inc, the UK group's American arm, said it disagreed with most of the FDA's claims. Dr Ernest Mario, the UK company's chief executive, said he would be surprised if the company had to

send out a letter to US practitioners.

At that time, Dr Mario said he believed the move had been instigated by Glaxo's competitors. Zantac's sales during the six months to December 31 increased 14 per cent to \$1,033bn.

However, Glaxo Inc yesterday said it had met the FDA and was co-operating with the agency in the hope of settling the issue soon. Meanwhile it has complied with a request for the company to stop all aspects of its advertising and promotional activities that contain the contested claims. The company refused to confirm whether it would send the doctors' letter.

Glaxo denied there was any serious risk of Zantac being withdrawn from the US. It said: "We do not believe there is anything in this situation that cannot be settled in our discussions with the FDA and will keep this product from being available to US patients. The safety and effectiveness of Zantac have not been called into question."

It is not unusual for the FDA to oblige drugs companies to send letters to practitioners. Last week, Marion Merrell Dow, the US group, sent a letter about false and misleading statements about its anti-ulcer treatment Carafate.

Tracy Corrigan and Richard Waters on management moves at the investment bank

**Changes in store
as CSFB aims
to stay in front**

BEHIND the assurances of continuity, changes are afoot at Credit Suisse First Boston, following the announcement last week that Mr David Mulford, the former US Treasury official and erstwhile investment banker, is to replace Mr Hans-Jörg Rudloff as head of the London-based investment bank.

CSFB is one of the institutions most closely associated with the growth of international financial markets in London in the 1980s, and Mr Rudloff, a highly visible figure in those markets, has been almost synonymous with CSFB.

The nature of Mr Rudloff's departure has provoked speculation about what lies in store for the bank he shaped. Mr Rudloff, whose appointment came at a board meeting in Zurich on Wednesday, hinted enigmatically: "You can never pre-judge a board in Switzerland."

In a recent interview in the magazine *Euromoney*, Mr Rudloff, asked if another career awaited him, replied: "Perhaps. But there is still so much to build here."

He is to join the board of CS Holding, the majority shareholder of the CS First Boston group, which includes CSFB and its two sister companies. CS Holding reported net earnings of \$55.64m (\$54m) in the first half to September 1992.

"This is a transition that was planned - though the timing was not planned," said Mr Mulford adding that it was Mr Rudloff himself who had precipitated the timing of the change.

Mr Mulford had arrived in London only the day before the announcement, from an assignment in Latin America, and admitted to not being fully

briefed yet on the operations of the firm he had just taken over, but his early comments will do nothing to dispel the impression that changes lie ahead.

The old rivalries remain between the three arms of the group, First Boston in the US, CSFB in Europe and CS First Boston Pacific in Asia, despite a move to bring them all together in 1988 under a common holding company, CS First Boston.

"The period of separatism is clearly over, but it does take time for the culture to change," says Mulford. He believes he will "provide leadership in accelerating the global integration of investment banking [at CSFB], which still has some way to go."

There is also a desire to develop CSFB beyond its base as a Euromarkets firm. Mr Mulford refers to a shift from CSFB's core fixed-income underwriting business as a process already underway. He says he "wants to maintain the leadership position" of CSFB in the traditional fixed income business, but "there is also growing global investment banking business, which is more diverse. This firm has to broaden the scope of its investment banking business."

This view is shaped by his belief that, during his years away from the industry, the process of "globalisation" has transformed financial markets, so borders between markets were removed. Mr Mulford has a mandate to develop business in Latin America, where his contacts are excellent (he was the US Treasury's negotiator on the Brady plan). He also has a keen interest in eastern Europe (where CSFB has been one of very few active banks) and the former Soviet



David Mulford: "This firm has to broaden the scope of its investment banking business"

Union. He says he joined CS First Boston because he believed it to be the most international of banking groups.

"That [global] business is marketed and managed differently from a traditional Euromarket fixed income business. It is much more complex."

Some observers see the appointment as a victory for the US arm of the business. Mr Mulford was brought in last November as vice-chairman of First Boston in the US. A more integrated firm, they think, will effectively be governed from the US, where the holding company for the three units is based.

"CSFB used to be a very independent, locally-focused firm," he said of former employees. "That is going to change."

The appointment follows a bad year for CSFB in 1992, when prof-

its slumped, and the US arm of the firm was the main contributor to the group, reversing the trend of the last few years.

Management changes elsewhere in the CS First Boston group last week add to the impression that disparate businesses are being pulled closer together. Mr Bob Diamond, who had been in charge of the Asian unit, was moved to New York to run bond trading in the US and Asia.

This move towards specialisation - which most other US-based investment banks have already made - raises a question over the position of Mr Allen Wheat, who runs the firm's derivatives unit and only last year was made head of trading in London. He had been widely tipped to succeed Mr Rud-

loff. Last week's announcement left it unclear if he would now report to Mr Diamond.

Mr Mulford said: "Allen is a very, very important figure, both here and in the group." But the appointment of Mr Mulford, passing over Mr Wheat, casts doubt over the stability of the firm's senior management.

"Basically, CSFB has been split in two," says one insider, meaning that the investment banking side will operate under Mr Mulford, while Mr Wheat will run trading operations in London. The appointment of Mr Mulford is undoubtedly the greatest upheaval since the restructuring of the group under a new holding company in 1988.

"I haven't come here to change things," protests Mr Mulford. But change seems to be on the way, nevertheless.

Thomas Cook may tender for Owners

By Richard Gourley in London

THOMAS Cook, the travel agency and financial services group, was last night considering the final details of a tender offer for shares in Owners Abroad, the tour company fighting a hostile bid from rival Airtours.

Representatives of Owners Abroad were meeting Thomas Cook and its advisers to decide pricing and the size of the tender, according to sources close to the companies.

Any cash tender could put a substantial obstacle in the way of Airtours' all share and partial cash alternative offers as the bid enters its last full week.

A tender offer, which could be as early as today or tomorrow and would have to be made this week, is likely to be made dependent on shareholders rejecting Airtours' offer. At Friday night's close, the bid values Owners Abroad at £290m, or 144p per share, through the paper offer.

The tender offer would need the approval of Westdeutsche Landesbank, the German state bank that controls Thomas Cook, and LTU, the German travel agency.

Once Airtours had launched its bid, Owners shareholders were almost unanimous in describing as inadequate the equity swap which underpinned the commercial transaction with Thomas Cook.

If Thomas Cook does make a tender offer, Owners Abroad's largest shareholder, Mercury Asset Management, may take centre stage. Last week MAM increased its stake in Owners Abroad to 14.07 per cent, from 13.4 per cent, but gave no indication whether it would accept or reject the offer.

Reacting to the possibility of a tender offer, Mr David Crossland, Airtours chairman, said Thomas Cook should bid for all the stock.

"LTU and Thomas Cook have tried to get into Thomas Cook on the cheap once before," he said. "Shareholders will recognise this for what it is - a wrecking move supported by a desperate board."

In judging where, or whether, to place a tender offer, Thomas Cook would have to consider that if the offer were too high, allocation of shares would be scaled down.

They would also be aware that some institutions are unlikely to be happy being left with shares that no longer attracted a bid premium.

WITH UK economic recovery apparently on the horizon, the big question now is whether Britain has capacity to exploit the opportunities ahead.

Past experience and common sense suggest that a recession stretching over two and a half years will have destroyed a great deal of productive capacity, especially in manufacturing industry.

That was certainly the case in the recession of 1979-81 when huge steel and engineering plants were shut, demolished, and eventually replaced by out-of-town shopping malls such as Merry Hill in the West Midlands and Meadowhall near Sheffield. The widespread fear is that the same process has been under way since 1980 and that this will limit the scope for recovery.

But how valid are such concerns? A general impression, garnered from anecdotal evidence, is that this recession has not been accompanied by a massive scrapping of manufacturing capacity.

Another encouraging sign is the strength of profit margins. In its recent quarterly inflation report, the Bank of England reported that profit margins from non-North Sea activities have fallen far less in this recession than in those of the early 1980s or the mid-1970s.

However, it is very difficult to estimate how much capacity has been lost or to measure the gap that has emerged between actual and potential output in the economy as a whole. Although this "output gap" is vitally important for assessing the nation's capacity to grow out of the recession without running into inflationary bottlenecks, statistical deficiencies mean that nobody has a clear idea of its size. The Bank of England's inflation report included estimates that the gap could be around 7 per cent or 3 per cent, but the Bank made no judgment as to which was nearer the truth.

In the case of manufacturing, however, economists at Klein-

**A question mark
over the UK's
future prosperity**

wort Benson, the UK investment bank, suggest industry has come through the recession in "surprisingly good shape" and the destruction of capacity has been far less than between 1979 and 1981.

Two Kleinwort economists, Mr Peter Spencer and Mr Leo Doyle, have looked at Central Statistical Office estimates of manufacturing industry's capital stock and evidence on below-capacity working from the quarterly Confederation of British Industry industrial trends surveys. They conclude

the proportion devoted to private consumption was the second highest after the United States," he says.

The UK's lagging investment performance has also been a matter of concern for Professor Douglas McWilliams, a former CBI economic adviser and chief executive of the Centre for Economics and Business Research (CEBR), an economic consultancy. He says that UK manufacturing capacity has grown by only 20.5 per cent since 1970. Although it grew at an annual rate of 3.5 per cent

**Economics Notebook
By Peter Norman**

that the recession has not yet seriously reduced industry's productive capacity.

Their view is broadly endorsed by Mr Andrew Sentance, the CBI's director of economics and one of the seven-man panel of independent forecasters set up by the Treasury to advise Mr Norman Lamont, the chancellor. According to Mr Sentance, manufacturing capacity has declined slightly from its peak in 1990 but is about a fifth higher than at its post-recession trough in 1982.

However, Mr Sentance points out such growth hardly constitutes good news. Business investment grew too slowly in the 1980s because an excessive portion of resources went to consumption. "In the 1980s, the UK devoted a larger share of gross domestic product to public consumption than any other Group of Seven country and

from 1984 to 1991, this relatively strong growth failed to offset the deterioration relative to other countries that had taken place earlier.

While UK manufacturing capacity grew by 19 per cent between 1970 and 1990, it increased by a total 43 per cent in Germany, France and Italy combined, by 85 per cent in the US, and by 129 per cent in Japan. Between 1990 to 1990, the picture was slightly more encouraging. UK manufacturing capacity grew by 7 per cent compared with just 1 per cent in the continental "big three" countries, but lagged the US and Japan where capacity grew by 32 per cent and 39 per cent respectively.

So much for the bad news. Official figures suggest that UK investment is now picking up after a sharp fall of 9.4 per cent between 1990 and 1991 and

a 3.5 per cent decline between 1991 and 1992. Capital spending by manufacturers on buildings, vehicles and machinery rose by a real, inflation-adjusted 3.1 per cent in the final six months of 1992 compared with the first half of that year and has now risen for three quarters in succession.

Such an upward trend in investment is unprecedented in a recession and when CBI surveys say that about 70 per cent of companies are working below capacity. It should add to confidence about Britain's capacity for recovery.

But the investment upturn may also reflect special factors. A CEBR study published last week showed that nearly one-fifth of the £220bn (\$312bn) invested in British industry since 1987 had come from abroad. Some of this flow may start to tail off, particularly if the Japanese car industry has to address problems at home.

The accelerating pace of technological change may also explain why investment now appears to be leading rather than lagging the business cycle.

Mr David Owen, another of Kleinwort's economists team, suggests that spending on information technology may be behind the investment surge. A similar pattern of strongly rising investment in weak economic conditions was visible in the US in 1991 and 1992, reflecting the need of companies there to restructure and shrink and acquire the latest technology to compete successfully.

Spending on rationalisation may not add significantly to growth. Indeed, the UK may simply be replacing the wrong sort of capacity with more efficient and up-to-date equipment.

While such investment is clearly better than none at all, the danger is that Britain will still be left with a small and efficient manufacturing sector that is too small for the nation's future prosperity.

**Revenues
from MTV
Europe at
\$60m a year**

By Raymond Snoddy in London

MTV Europe, the London-based satellite rock music channel, is now predicting revenues at the rate of \$60m-\$70m a year, according to Mr Frank Biondi, president and chief executive of Viacom, which owns MTV Europe.

Until now MTV has declined to give any financial numbers for its European television network which is available in 43m homes in 32 countries.

"MTV Europe's revenues have been increasing at 70 to 80 per cent a year although it will be tough to keep that up", Mr Biondi said. The revenue figures are at least double that suspected by analysts.

"We [MTV Europe] will be available in 50m homes by the end of this calendar year," Mr Biondi forecast. He stuck to a previous formula to describe MTV Europe's profits. "It is marginally profitable." In fact all the signs are that the company is being conservative in its public statements and after 5 1/2 years on air MTV Europe is comfortably profitable.

Viacom recently announced that it was bringing its American children's channel Nickelodeon to the UK in a joint venture with British Sky Broadcasting. Mr Biondi said the aim was to take Nickelodeon to other European countries through joint ventures with local partners.

MTV, available in more than 200m homes worldwide, plans to launch a service for Latin America in October. The 24-hour channel will be for Spanish speakers in the US and central and south America.

This announcement appears as a matter of record only.



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COMPANIES AND FINANCE

Time Products in \$17m luxury handbags buy

By Andrew Bolger

TIME PRODUCTS, the UK watch and jewellery distributor, has paid \$17m (£11.9m) for the business of Judith Leiber, an American who designs luxury handbags for the international jet-set.

Hollywood stars are among customers prepared to pay several thousand dollars for a handbag made by Mrs Leiber, 73, who started her business 30 years ago in New York.

A designer bag presented to Mrs Barbara Bush was valued at \$1,245. It showed a likeness of Millie, the presidential couple's pet dog.

Mrs Leiber will continue to run her company, which distributes only through exclusive department stores and jewellers. Time Products has distributed her handbags in the UK since 1991.

The UK company said the handbags had not been actively marketed outside North America, and there was therefore potential for developing the brand worldwide.

There was scope for applying the name to merchandise other than handbags, putting a broader range of products through the same tightly-targeted distribution network.

Time Products also announced that it had paid \$2m for a 5 per cent stake in Audemars Piguet, the Swiss watchmaker which specialises in highly technical and luxurious timepieces.

Mr Marcus Margules, chairman of Time Products, said: "Judith Leiber is one of the most highly-prized brands in North America and we are delighted to have secured it, while our relationship with Audemars Piguet will be strengthened by our investment."

The Leiber business made pre-tax profits of \$1m, after directors' remunerations, on sales of \$15m in the year to December 31. It had net assets at that date of \$5.1m.

Even after completing these acquisitions, Time Products has net cash of more than \$10m.

Rothmans forms £55m joint venture in Russia

By Philip Rawstone

ROTHMANS International is to invest \$55m in a cigarette manufacturing joint venture with Nevo Tobacco, a privately-owned tobacco company in St Petersburg, Russia.

The deal marks Rothmans' first capital investment in central and eastern Europe, though it has licensing arrangements in Poland and the former Yugoslavia.

Rothmans will acquire a 75 per cent shareholding in the venture, to be called Rothmans Nevo, and will build a new cigarette factory in St Petersburg.

The factory, with an output of 10bn cigarettes a year, is expected to begin production in mid-1993.

The UK company's \$55m investment will be phased over several years and will cover construction costs and the supply of plant and equipment.

Lord Swaythling, Rothmans' chairman, said: "This venture is a major long-term initiative with a view to capitalising on the opportunity that Russia represents as one of the largest potential consumer markets in the world."

Russia, with a market estimated at 443bn cigarettes a year, has already attracted large-scale investment from other tobacco multinationals.

London Share Service classification changes

A series of changes to the classifications of companies listed on the London Stock Exchange was made at the last quarterly meeting of the FT-SE Actuarial Industry Classification Committee.

As a result, the following stocks will be moved to new categories in the London Share Service with effect from April 1 1993:

Black & Edgington to Business Services (41) from Engineering - General (7); Svenska Cellulosa (SCA) to Packaging, Paper & Printing (31) from Chemicals (43).

Called to account for past practices

Andrew Buxton of Barclays Bank faces a most testing time. John Gapper reports

THE NEXT two weeks will probably be the most testing of Mr Andrew Buxton's career. After becoming chairman and chief executive of Barclays Bank in January, just in time to announce the first pre-tax loss in the bank's 96 year history, he faces a wave of doubt over whether he should stay in either job. His future will depend on meetings with shareholders around the country which start this week.

Mr Buxton yesterday indicated the outline of the arguments he intends to put. That he accepts some blame for the past when he was managing director under Sir John Quinlan in the late 1980s. That under his leadership the bank has improved its operating performance, and will continue to do so. And that he will hand over a significant part his responsibilities to a new senior executive this year.

None of this is likely to come as a surprise to the bank's large shareholders. But they will be watching Mr Buxton's performance closely to see if he can alter their perception that he has not presented his own and the bank's case well so far. Some institutions believe his performance at last week's post-results press and analysts' conferences should have been more confident.

The degree of dissatisfaction among shareholders is open to debate. Fund managers holding 15 per cent of the bank's shares contacted by the Financial Times on Friday expressed varying degrees of discontent, the strongest being the view that Mr Buxton should resign. But Barclays believes it has received support from the most senior executives of the institutions concerned.

Yet the bank tacitly accepts the view that it cannot judge entirely on the basis of telephone calls made by Mr Buxton on Friday. The ultimate test will come in the post results "roadshow" in which Mr Buxton makes plain he will play a full part. "I have got to try to reassure them, and make sure they appreciate that the senior management is getting decisions right," he said yesterday.

Mr Buxton's problem in doing so is his link with the past. This is partly as a member of one of the Quaker families in charge of the regional banks which came together to make up Barclays. But it is substantially to do with a more recent period of history: the time in May 1988 when he became managing director, just after a rights issue of £921m to expand lending had been announced.

Mr Buxton made an incau-



Sir Peter Middleton: the deputy chairman

rious remark at the press conference on Thursday indicating that he had little direct responsibility for this lending growth. Yesterday, he was carefully emphasising that he bore some responsibility, and should have performed better. "With hindsight, when I became managing director, I wish I had jumped on the problem of expansion earlier," he said.

His defence is that despite having made mistakes, he

essentially arrived too late to stop lending mushrooming. He argues that much of the problem leading in the following two years came from large companies taking up more of what were already agreed facilities. "When you come in the middle of a fast expansion programme that is already taking place, it is difficult to control," he says.

This issue alone would provide enough material for debate. But Mr Buxton faces questions on a second point: when and how he will take steps to split his two roles.

He remained cautious about details yesterday, but promised it would happen this year. "I do not think later would be acceptable to shareholders, and I do not want an uncertainty of this sort any longer than necessary," he said.

There are two uncertainties involved. The first is whether the bank will actually appoint a chief executive in both name and deed, or have a chief operating officer similar to Mr Buxton's old post of managing director.

Any wavering is likely to stimulate discontent among shareholders, one reason for Mr Buxton's promise yesterday of handing over "a significant part" of his job.

The second uncertainty is whether the new senior executive will come from inside or outside the bank. As long as Mr Buxton remains chairman, investors are likely to place significance on the new senior executive coming from outside the bank. Yet this could present internal problems by risking curtailing the responsibilities of executives such as Sir Peter Middleton, the deputy chairman.

Mr Buxton emphasised yesterday that this potential problem was one reason why he was taking some time to decide how the new management structure - first introduced in 1991 - should be reformed. "It is a definite consideration. I must take the management team with me and ensure that I hold them together, and convince them that any new structure is going to work," he said firmly.

Barclays' chairman emphasised yesterday that he did not believe investors' concern was so great that they "want to fire the whole of the management team". But he would not be drawn on the question of what he would do if the shareholder meetings over the next two weeks convinced him otherwise. "As the saying goes, I would prefer not to start from there," said Mr Buxton.

Reduced interest charge behind rise at British Data

By Richard Gourley

BRITISH Data Management, the data storage specialist which came to the market through a placing a year ago, reported doubled pre-tax profits of £1.6m for the six months ended December 31, against £779,000 last time.

Sales rose 13 per cent from £6.2m to £7.04m. The pre-tax figure was struck after a much reduced interest charge - down from £887,000 to £53,000.

Earnings per share rose 25 per cent to 6.5p and the group declared an interim dividend of 1.5p. The directors said the earnings figure was flattered by a £138,000 tax charge that

was significantly lower due to £250,000 of over-provisioning in the previous year.

Mr Stephen Crown, British Data's chairman, said a strict comparison of earnings could not be made because in the previous year BDM paid no tax because of losses brought forward.

He said he continued to seek substantial organic growth that would be supplemented by bolt-on acquisitions.

The company expected to gain a significant amount of new work from the government which, through its market testing programme, is seeking to farm out support functions.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Deutsche Bank (Germany)	Banco de Madrid	Banking	£245m	Foreign growth continues
Kraft General Foods International (US)	Terry's (UK)	Confectionery	£220m	United Biscuits sale
BSN (France)	Egidio Galbani (Italy)	Food	£173m	Lifts stake to 70 per cent
Banco Central Hispanoamericano (Spain)/Banco Comercial Portugues	Share Swap	Banking	£169m	Co-operation move
Western Mining Group Australia	Olympic Dam (Australia)	Mining	£164m	BP exiting minerals mining
Cell-Net Enterprises (Canada)	Unit of Cable and Wireless (UK)	Telecoms	£18.8m	C&W refocusing efforts
Johnson & Firth Brown (UK)	Viking Metallurgical Corp (US)	Engineering	£5.8m	US expansion
Rockwell International (US)	Unit of Sprücher & Schuh (Switzerland)	Controls	n/a	Strengthening global position
PMC Corp (US)	Kongsberg Offshore (Norway)	Oil & gas services	n/a	Siemens non-core sale
Thomson-CSF (France)/Short Brothers (UK)	Shorts Missile Systems (JV)	Defence systems	n/a	Brothers in arms

Etonbrook meeting called

By Andrew Bolger

Mr Andrew Perloff, the rebel shareholder in Etonbrook, has requisitioned an extraordinary general meeting of the property development company, in another attempt to join the board and remove all of its existing directors.

Mr Perloff and the three companies acting with him own 20 per cent of Etonbrook. He has twice failed to win a seat on the board but thwarted a proposed capital restructuring at an EGM in September.

In January the former BES company blamed a drop in its interim pre-tax profits from £300,000 to £74,000 on costs incurred in fighting a tender offer from Mr Perloff, which would have increased his stake to just under 30 per cent.

Unipart extends Jaguar link

By John Griffiths

Jaguar Cars has signed an agreement extending for 10 years a contract under which Unipart, the motor components manufacturer and distributor, manages Jaguar's worldwide parts operations.

The contract is expected to be worth more than £500m over its 10-year life.

At the beginning of last year Unipart took over worldwide parts distribution for Rover Group's Land Rover and Range Rover vehicles, adding £100m a year to its turnover.

The Land Rover business was a significant contributor to Unipart's record £19.8m profits in 1992 - a 38.6 per cent rise. It has controlled Rover's car parts distribution ever since privatisation.

* FINAL OFFERS

BY BZW AND BRITISH LINEN BANK ON BEHALF OF AIRTOURS PLC

FOR

OWNERS ABROAD GROUP PLC

CLOSING DATE FOR ACCEPTANCES:

1PM TUESDAY, 16 MARCH 1993

This advertisement is published on behalf of Airtours and has been approved by BZW and British Linen Bank which are members of The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1986. The Directors of Airtours accept responsibility for the information contained in this advertisement and to the best of their knowledge and belief that the information is true and correct and that it is not misleading. The information contained in this advertisement is for information only and does not constitute an offer or recommendation to buy or sell any securities. The Final Offer will not be increased or extended, except that Airtours reserves the right to revise, increase and/or extend the Final Offer in the unlikely event of other competitive offers arising (as determined by the Panel) or any material variation in the existing arrangements or any material new developments involving Airtours and/or BZW and British Linen Bank being proposed.

NOTICE OF REDEMPTION

SRF MORTGAGE NOTES 1 PLC

Class A Mortgage Backed Floating Rate Notes Due March 2021

NOTICE IS HEREBY GIVEN to the holders of the Class A Mortgage Backed Floating Rate Notes Due March 2021 (the "Class A Notes") of SRF Mortgage Notes 1 PLC (the "Issuer") that, pursuant to the Trust Deed dated 20th March, 1989 (the "Trust Deed"), between the Issuer and the Law Debenture Trust Corporation p.l.c., as Trustee, and the Agency Agreement dated 20th March, 1989 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that, in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A Notes, Available Funds as defined in the Terms and Conditions in the amount of £7,600,000 will be utilised on 22nd March, 1993 (the "Redemption Date") to redeem a like amount of Class A Notes. The Class A Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW									
Bearer Notes									
28	35	64	83	96	100	134	144	151	290
203	216	228	233	248	276	299	315	340	344
319	328	370	373	385	410	427	430	441	472
479	512	518	565	572	587	603	623	624	653
660	687	712	736	742	745	757	759	760	761
776	783	807	828	854	889	897	933	972	979
981	986	991	996	1262	1267	1268	1285	1287	1293
1302	1333	1354	1364	1481	1486				

The Class A Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

Banque Paribas (Luxembourg) S.A.
10a Boulevard Royal
L-2093 Luxembourg

In respect of Bearer Class A Notes, the Redemption Price will be paid upon presentation and surrender of such Notes together with all unattached Coupons appertaining thereto, on or within a period of ten years and five years respectively, after the Redemption Date. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at any specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A Notes which are the subject of this Notice of Redemption.

SRF MORTGAGE NOTES 1 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent
Dated: 8th March, 1993

Caribbean Depositary Receipts of

PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation has declared a dividend of Yen 12.50 per share (interim-div. for the financial year 1992) which will be payable as from March 15th, 1993 at the office of Pierson, Holding & Pierson N.V. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement will be available to holders of CDRs against surrender of at least 20% Japanese withholding tax, to the effect that per CDR's evidencing:

5 Depositary Shares \$ 4.- (1.426)
10 Depositary Shares \$ 8.- (1.852) and
100 Depositary Shares \$ 80.- (85.20) is paid.

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until April 15th, 1993 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the beneficial holders of the CDRs are residents of a country which has concluded a Tax Treaty with Japan.

In the Netherlands dividends will be paid to residents in Dutch currency at the daily rate of exchange unless otherwise instructed.

Amsterdam, March 5th, 1993

Pierson, Holding & Pierson N.V.

National & Provincial Building Society

Japanese Yen 10,000,000,000 Floating Rate Notes due 1995

For the six months
8th March, 1993 to 7th September, 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 4.35 per cent. per annum, and that the interest payable on the interest payment date, 7th September, 1993 against Coupon No. 10 will be Yen 2,180,959 per Yen 100,000,000 Note.

The Industrial Bank of Japan, Limited
Agent Bank

CURRENCY MANAGEMENT CORPORATION PLC

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Fuji International Finance (Australia) Limited

Tranche A US\$ 60,000,000
Floating/Fixed Rate
Guaranteed Bonds 2001

Interest Rate : 3.70/13% p.a.
Interest Period : from 8th March, 1993 to 8th June, 1993
Interest payable per US\$ 30,000
Notes : US\$ 473.18

By Fuji Bank (Luxembourg) S.A.

BankAmerica Corporation

(Incorporated in the State of Delaware)

U.S.\$400,000,000
Floating Rate Subordinated Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the next interest Sub-period from 8th March, 1993 to 7th April, 1993 the following will apply:

- Interest Payment Date: 8th June, 1993.
- Rate of Interest for Sub-period: 5% per annum.
- Interest Amount payable for Sub-period: US\$243.06 per US\$500,000 nominal.
- Accumulated Interest Amount payable: US\$243.06 per US\$500,000 nominal.
- Next Interest Sub-period will be from 13th April, 1993 to 13th May, 1993.

Agent Bank:
Bank of America International Limited

US\$125,000,000 First Chicago Corporation

Floating Rate Subordinated Capital Notes Due December 1995

Notice is hereby given that the Rate of Interest has been fixed at 3.3750% and that the interest payable on the relevant Interest Payment Date, June 5, 1993 against Coupon No. 26 in respect of US\$100,000,000 nominal of the Notes will be US\$662.50.

March 8, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank: CITIBANK

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FX WEEK

Market Myths and Duff Forecasts for 1993

Corporate profits will soar, bonds have had their day, the US dollar is in a bull market. You did NOT read that in *FullerMoney* - the bi-monthly investment letter, the bi-monthly investment letter.

Call Jane Farquharson for a sample issue (once only)
Tel: London 71-439 4781 (071 in UK) or Fax: 71-439 4956

American Express plans to reduce stake in First Data

By Nikki Tait in New York

AMERICAN Express, the US financial services group that has recently undergone significant management upheavals, is planning to sell more than half its majority stake in First Data Corporation.

The disposal could bring some \$1.2bn into American Express, which suffered a painful profit setback last year. First Data administers credit card transactions for companies such as Visa and MasterCard, as well as American Express itself.

American Express said that it planned to sell 32m shares in First Data, with a further 3.2m becoming available if the offer went well.

The sale could reduce American Express's stake in First Data from 54 per cent to around 22 per cent.

First Data shares eased 5% to \$34.50 on the news, which



Harvey Golub replaced James Robinson as American Express chief

came on Friday afternoon. At this sort of level, however, the disposal would raise around \$1.2bn for the financial services group, ahead of sale expenses.

American Express said that

the proceeds of the sale would be used for "general corporate purposes".

The sale itself did not surprise Wall Street, although it is the first important move made by the company since Mr Harvey Golub replaced Mr James Robinson as chief executive of American Express earlier this year.

American Express sold more than 50m shares in First Data last year, raising more than \$1bn in the process and cutting its interest in the 54 per cent ownership level.

American Express shares gained 3% to \$25 on Friday's news.

Net earnings at American Express more than halved for 1992 following a steep decline in profits within the group's travel side and a slide into losses at Shearson Lehman.

American Express' brokerage and investment banking operations.

Ministry denies role in OCP counter-bid

By William Abrahams in Paris and Paul Abrahams in London

THE French industry ministry has denied involvement in an attempt to mount a counter-bid for Office Commercial Pharmaceutique, France's largest medicines wholesaler, which is facing a takeover offer from a German group.

A senior official said the ministry had responded to requests for information from shareholders of Gehe, the German group that last month made a friendly FF1.8bn (\$318.8m) offer for OCP.

The French government had no interest in meddling in purely private business, the official said. "We do not get involved in takeovers," he added. The only industry ministry involvement was to provide information about French medicine marketing rules to Gehe shareholders, the official explained. "I can assure you that Franco-German business relations are very good," he said.

The ministry's denial contradicts claims earlier this week by some representatives of OCP and a member of a French consortium of pharmaceutical companies that the government was sponsoring a French counter-bid.

However, a leading French drugs group in the consortium yesterday confirmed that the industry ministry had advised it on mounting a possible counter-bid for OCP.

Mr Jean-Pierre Duché, OCP's chief executive, supports the German deal, but OCP's largest single shareholder, the Bourely family, with 18 per cent of the equity, opposes it.

A legal action between rival existing shareholders for control of OCP is understood to be under way.

Meanwhile, the French Treasury has delayed for 10 days its decision on whether to give the German bid the go-ahead.

OCP says that officials want to examine the ownership structure of Gehe and in particular Franz Haniel, the Duisburg-based trading and service company which owns Gehe.

A dividend dilemma at Banesto

Disposal could allow the bank to make a full payout, says Peter Bruce

MARIO Conde, chairman of Banesto, Spain's third largest bank, has one of those problems this week that occasionally make it fun to be in debt.

On Friday, Banesto announced it had sold its biggest banking subsidiary, Banco de Madrid, to Deutsche Bank for Ptas42bn (\$357m). This deal will allow the German bank, which already owns Catalonia-based Bancorras, to become the largest foreign bank in Spain. But it was far more important for Mr Conde.

Banesto will make a profit of Ptas30bn from the disposal and now has to decide what to do with it. It has two choices.

The first and most probable use of the money will be to provide for bad debts. Non-

recoverable loans are at record levels in Spain, but are particularly burdensome at Banesto where assets grew rapidly just prior to the downturn in the economy last year.

The Bank of Spain had given Banesto until the end of next year to find an extra Ptas40bn to cover itself.

The other, more remote possibility, is that the money will be used to help pay a full dividend for 1992. As things stand now, Banesto cannot possibly match the full 1991 payout of Ptas205, because the parent bank's profits fell last year and the Bank of Spain would frown on any bank, perhaps especially Banesto, reducing the amount of net profit transferred to reserves in the middle of a recession.

Banesto has already paid Ptas50 to shareholders for 1991, though, and has until June to decide whether, and how, to make its traditional compulsory payment. Analysts disagree about what might be done and the bank is keeping silent. But there is some hope for shareholders.

The waters are further muddied by the fact that Banesto is planning a large three-for-one rights issue, which has won a promise of support from J.P. Morgan and which Banesto hopes will raise up to Ptas53bn in new capital.

There is an outside chance that a successful rights issue might persuade the Bank of Spain to allow Mr Conde to use all or most of last year's Ptas20.2bn parent bank net

profit to pay shareholders. The rights-issue proceeds would then go to reserves where, normally, most of the 1992 profit would expect to end up.

Clearly the central bank would be persuaded one way or the other by the final outcome of the rights issue.

In truth, though, the rights issue would be paying the dividend, thus putting Mr Conde in the curious position of asking shareholders for money in order to be able to give it back to them.

Between making the full possible payment, with Bank of Spain complicity, and making none at all lies an acceptable policy. It is this that Mr Conde - and his prospective new shareholder in J.P. Morgan - will be searching for.

Kirch raises holding in Springer

By Judy Dempsey in Berlin

MR LEO Kirch, the media magnate, has paid DM250m (\$132m) to increase to 29 per cent his shareholding in Axel Springer, the large German publishing group which counts Bild and Die Welt among its newspaper titles.

He has acquired the 10 per cent stake in Springer sold last week by Poligrafici Editoriale, the Italian publishing company.

Before the purchase, Mr Kirch already had around 25

per cent of the Springer voting rights.

The deal stems from a cross-shareholding agreement between Springer and Poligrafici under which both companies have ended their involvement with each other.

Springer has sold its 10 per cent stake, or 13.2m shares, in Poligrafici to the Monti Group, the Italian publisher which holds the majority stake in Poligrafici. The selling cost is reported to be L4,650 (\$2.95) a share.

Springer's decision to sell its

stake ends its short involvement in the Italian media market. But it also means that the group, which publishes Bild, the mass circulation daily, and Die Welt, a more serious daily, is likely to spend more time improving sales, distribution and circulation in eastern Germany.

German newspapers are attempting to increase their share of the expanding eastern German market. In particular, two new weeklies, Focus and Die Woche, are aiming for a younger, up-market readership.

Dumetz to cut 1,500 jobs this year

By Alice Rawsthorn in Paris

DUMETZ, one of France's largest construction companies, plans to cut 1,500 jobs in France this year after suffering a steep fall in sales in 1992.

Mr Jean-Louis Brault, who 18 months ago became chairman of Dumetz, a subsidiary of the Lyonnais des Eaux-Dumetz utility group, announced that

his company had seen sales fall by 26 per cent to FF15bn (\$2.68bn) in 1992 from FF17.2bn in 1991.

Dumetz, like other construction companies, has been badly affected by the slowdown across the European construction sector. It has also encountered problems with contracts in Saudi Arabia.

Mr Brault said Dumetz envis-

aged reducing its 8,333-strong French workforce by 18 per cent, with 400 job losses at the parent company and 1,000 at the regional subsidiaries this year.

News of the Dumetz rationalisation follows the announcement earlier this year that Lyonnais des Eaux-Dumetz faced a sharp fall in net profits of over 65 per cent last year.

Australia's Orbital says it has won orders for new type of car engine

By John Griffiths

AUSTRALIA'S Orbital Engine Company has told the New York and Australian stock exchanges that it has won orders from "a major automotive producer" for its innovative two-stroke engines.

Ford, General Motors, Fiat and Volkswagen are among car makers already holding licences from Orbital to develop the technology. Orbital engines are around half the weight and two-thirds the size of conventional car engines.

However, Ford, which has several dozen prototype Orbital-powered Fiestas in trial use with fleet operators in the UK

- and is widely regarded as the front-runner for bringing Orbital cars to market - rejected speculation that it was involved in the announced agreement.

Orbital, in which Broken Hill Proprietary has a 25 per cent stake, said it was prevented by a confidentiality agreement from naming the manufacturer which had signed the letter of intent.

According to Orbital, the agreement provides for the vehicle maker initially to take supplies of OCP (Orbital Combustion Process) engines from a US plant being prepared by Orbital at a former GM facility in Tecumseh, Michigan, and

which is due to come on stream at the end of this year. This will be complemented by an engineering programme at Orbital's research and development facilities at Perth, Western Australia.

The rationale behind the Tecumseh plant is for it to provide licences with only a sufficient volume of engines for them to gain know-how before committing to their own high-volume manufacture.

Ford hopes to have small, Orbital-engined cars in its range by as early as 1995. The engines are said to be 10 per cent more powerful and 12 per cent more economical than conventional rivals.

Hagemeyer ahead 21% at FI 103m

By Ronald van de Krol in Amsterdam

HAGEMEYER, the Dutch-based trading company that is 65 per cent-owned by First Pacific of Hong Kong, yesterday reported a 21 per cent jump in 1992 net profit to FI 103.1m (\$55.7m) and a 5.6 per cent rise in its dividend to FI 6.00.

The company also announced plans for a two-for-one share split and an increase in authorised share capital to FI 470m from FI 290m. It added that it had no immediate plans for a share issue.

Hagemeyer, which focuses on selling and distributing brand-name consumer and professional products, attributed the strong gain to its wholesale

electro-technical subsidiaries and to its North American consumer electronic activities. Sales and profits from consumer and professional electronics were unchanged from 1991.

Overall, turnover rose by 15.3 per cent to FI 3.4bn and would have shown a 18.5 per cent increase but for exchange rate movements.

HK Electric beats forecasts with 30% rise

By Simon Holberton in Hong Kong

HONGKONG Electric, which operates the electric power monopoly on Hong Kong Island, has exceeded expectations by reporting a 30 per cent rise in 1992 earnings to HK\$3.05bn (US\$394m) from HK\$2.3bn in 1991.

Profit was struck on a 9.3 per cent rise in turnover to HK\$5.3bn, from HK\$4.8bn. The directors declared a final dividend of 52 cents a share, making 82 cents for the year - a rise of 17 per cent on 1991.

Mr Simon Murray, chairman, said Secan, the group's property development associate, contributed more than 20 per cent of pre-tax profits. Analysts expect the company's land bank to be fully utilised by the end of 1994.

Mr Murray said the electric company recorded a profit growth of 14 per cent during the year. Unit sales of electricity rose by 4 per cent - well below the overall growth rate of Hong Kong's economy of 5 per cent in real terms. During the year the company invested HK\$2.97bn in new electricity and power facilities.

BusinessWeek

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Notice to the Holders of

ATLANTIC RICHFIELD COMPANY

US\$200,000,000 9 1/4% Bonds Due March 20, 1993
US\$250,000,000 10 1/4% Notes Due July 2, 2000

NOTICE IS HEREBY GIVEN that, pursuant to Condition 4(c) of the Terms and Conditions of the US\$200,000,000 Bonds Due 1993 and Condition 4(c) of the Terms and Conditions of the US\$250,000,000 Notes Due 2000 (the "Securities"), Atlantic Richfield Company, a Delaware corporation, (the "Issuer") has of midnight March 6, 1993, (the "Termination Date"), terminated the appointment of Banque Internationale a Luxembourg SA in Luxembourg as a paying agent with respect to such Bonds and Notes.

With effect from the Termination Date, holders of the Securities and all coupons pertaining thereto will no longer be able to present them at the specified office of Banque Internationale a Luxembourg SA in Luxembourg. As a result, the Issuer has appointed, effective midnight March 6, 1993, Kredietbank S.A. Luxembourg as a replacement paying agent for the purposes of presentation and surrender of the Securities and the coupons. The specified office of Kredietbank S.A. Luxembourg is listed below:

Kredietbank S.A. Luxembourg
43 Boulevard Royal
L-2955 Luxembourg
Luxembourg

ATLANTIC RICHFIELD COMPANY
Dated: March 8, 1993

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation to the public to subscribe for or purchase any securities. Application has been made to the London Stock Exchange for admission to the Official List of all the Ordinary shares (issued and now being issued) of Warrants and Value Investment Trust plc. It is expected that listing will become effective and that dealings in the Ordinary shares will commence on 12th March, 1993.

Warrants and Value Investment Trust plc
(Incorporated in Scotland under the Companies Act 1985. Registered No. 143033)

placing by
S.G. Warburg Securities

of
80,000,000 Ordinary shares of 5p each
at 25p per share
payable in full on acceptance

Share Capital

Authorised £5,000,000	Issued and now being issued (fully paid) £4,000,000
in Ordinary shares of 5p each	

Warrants and Value Investment Trust plc ("WVIT") is a new investment trust which will be managed by Scottish Value Management Limited and will invest principally in investment trust company warrants and other securities in the investment trust company sector which have similar characteristics to those of warrants with the objective of achieving capital growth greater than that of the FT-Accumulator Investment Trust Index. Listing particulars will be available during normal business hours on any weekday, Saturdays and Bank Holidays excepted, up to and including 22nd March, 1993 from:

Scottish Value Management Limited,
2 Canning Street Lane,
Edinburgh EH3 3ER

S.G. Warburg Securities Ltd.,
1 Finsbury Avenue,
London EC2M 2PA

Copies of the listing particulars are also available from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Old Broad Street, London EC2N 1HP, up to and including 10th March, 1993.

8th March, 1993

Schroder Split Fund plc
Offer for Subscription sponsored by de Zoete & Bevan Limited
Basis of Allocation of Shares

Valid applications made under the Offer will be met as set out in the following table. Definitive certificates for all three classes of shares are expected to be despatched on Wednesday 10 March 1993 and dealings are expected to commence separately in each class of shares on Thursday 11 March 1993. Schroder PEP investors will be notified separately. Applicants who deal prior to receipt of their share certificates do so at their own risk.

Number of Shares applied for	Applications for one Class of Share only			Applications for more than one Class of Share*		
	Income Shares	Capital Shares	Zero Dividend Preference Shares	Income Shares	Capital Shares	Zero Dividend Preference Shares
0 - 25,000	100%**	100%	100%	100%	100%	100%
25,500 - 300,000	85%	100%	100%	80%	100%	100%
300,500 - 1,000,000	75%	100%	100%	65%	100%	100%
1,000,500 - 2,500,000	50.58714%	100%	100%	50.58714%	100%	100%
2,500,500 - plus	50.58714%	98.95205%	100%	50.58714%	98.95205%	100%

* Made on a single share application form.
** Including applications for Income Shares to be held in the Schroder High Income PEP.

Allocations have been made in full in respect of applications for Income Shares by authorised financial intermediaries who gave the warranty in paragraph 4(g) of the Terms and Conditions of Application. References to applications are to applications which are valid or treated as valid in accordance with the Terms and Conditions of Application and which, in each case, have not been rejected. All allocations are subject to the Terms and Conditions of the Listing Particulars dated 10 February 1993, the Terms and Conditions of Application attached thereto and the Memorandum and Articles of Association of the Company. Expressions used in this advertisement have the same meanings as in the Listing Particulars.

Issued by Schroder Split Fund plc and approved by de Zoete & Bevan Limited, a member of SFA and sponsor and stockbroker to Schroder Split Fund plc in connection with the Offer. The value of shares can go down as well as up.

8th March 1993

U.S. \$125,000,000

GREAT LAKES FEDERAL FINANCIAL

Collateralized Floating Rate Notes
Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three months interest period from March 8, 1993 to June 8, 1993 the Notes will carry an interest rate of 3.5625% per annum. The interest payable on the relevant payment date, June 8, 1993 will be U.S. \$910.42 per U.S. \$100,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

March 8, 1993

SOCIETE QUEBECOISE D'ASSAINISSEMENT DES EAUX

US\$50,000,000 Floating Rate Bonds Due 1993
guaranteed by Province of Quebec

Interest rate - 3.92%
Interest period from - 7.3.1993 to - 7.3.1995
Interest Amount per \$100,000,000 nominal due 7.3.1993 - \$1,976,110

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

DON'T TRAVEL WITHOUT US.

RIDDELLTON LIMITED
US\$1,000,000,000 Floating Rate Bonds Due 2000
Guaranteed by THE DEVELOPMENT INTERNATIONAL LIMITED

Notes are hereby given that for the interest period from 1st March, 1993 to 31st August, 1993 the bonds shall carry an interest rate of 5.6375% per annum with Coupon Amounts of U.S. \$14.41, U.S. \$14.07 and U.S. \$14.406.04 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000,000 Notes respectively. The relevant Interest Payment Date will be 3rd June, 1993.

Swiss Bank Corporation

EUROFIMA
European Company for the Finance of Railroad Rolling Stock

U.S. \$250,000,000

Deutsche Mark LIBOR Based Floating Rate Notes due 2002

For the Interest Period 3rd March, 1993 to 3rd June, 1993 the Notes will carry an interest rate of 5.6375% per annum with Coupon Amounts of U.S. \$14.41, U.S. \$14.07 and U.S. \$14.406.04 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000,000 Notes respectively. The relevant Interest Payment Date will be 3rd June, 1993.

Swiss Bank Corporation

WOOLWICH - Building Society -

\$100,000,000

Floating rate notes due 1996

Notice is hereby given that the notes will bear interest at 6.275% per annum from 4 March 1993 to 4 June 1993. Interest payable on 4 June 1993 will amount to \$158.16 per \$100,000 note and \$1,581.64 per \$1,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Bank of Ireland
U.S. \$300,000,000

Undated Variable Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 4.1875%, and that the interest payable on the relevant Interest Payment Date June 8, 1993 against Coupon No. 15 in respect of US\$100,000 nominal of the Notes will be US\$1,070.14.

March 8, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

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INTERNATIONAL CAPITAL MARKETS

GERMAN BONDS

Prices soar on back of Bundesbank rate cut

SURPRISE is a central weapon in the armoury of a central bank - especially the German Bundesbank, which over the course of last week teased the markets with contradictory signals, but on Friday delivered a positive surprise.

The market was disappointed that last Thursday's council meeting had closed without a cut in either the Lombard or discount rates - and then delighted when on Friday the Bundesbank announced a 24-basis point cut in its next 14-day repurchase agreement to 8.25 per cent, down from 8.49 per cent.

The move was taken by the markets as final confirmation that the Bundesbank is embarked on a steady course of substantial cuts in short-term interest rates - and proof that the Bundesbank believes the downturn in the German economy will prove a better brake on inflation than high interest rates.

It sent German government bond prices up to their highest level since the end of December 1988.

The average daily yield on all government securities dropped by 10 basis points to 6.37 per cent, with the yield on 10-year benchmark bonds down to 8.5 per cent from 8.7 per cent at the beginning of the week and well below the average over the last 10 years.

These price rises capped a glorious eight months for the German bond market.

Yields on 10-year bonds have dropped from 8.28 per cent in July last year, buoyed by massive purchases by foreign investors.

All but DM12.5bn of these purchases took place in the second half of the year, reflecting investors' confidence in the strength of the D-Mark amid the currency market turmoil. Foreign investors bought DM64bn of German bonds in the last quarter alone.

Apart from the D-Mark's safe-haven status, investors were attracted by the prospect of decisive cuts in interest rates which - after a rather grudging start in mid-September with the half-point cut in the discount rate (to 8.25 per cent) and the quarter point off the Lombard (to 9.5 per cent) - gathered momentum with the rate cuts on February 4, when the Bundesbank trimmed the Lombard by 0.5 per cent and the discount rate to 8 per cent.

Comments from Mr Johann Gaddum, a member of the Bundesbank's policy-making council, to the effect that the cut was not necessarily a pre-

lude to further reductions in the discount and Lombard rates the next time the council meets on March 18, did nothing to stop excited speculation about the future course of interest rates.

It is now widely expected that the "official" Lombard and discount rates will fall by up to two more full basis points during the course of the next year.

Mr Kermit Schoenholtz at Salomon Brothers predicts that call money will drop from its current level around the repo rate to 6.5 per cent by the end of this year and below 5 per cent in 1994.

The question for investors is whether this scenario has already been reflected in the significant price rises of recent months - whether now is not the right time to sell bonds and buy the higher yielding fixed-income securities of France, the UK, or even Italy, where yields on 10-year bench-

mark bonds are respectively 8.1, 113 and 475 basis points higher than the equivalent bond.

Mr Klaus Holschuh in Commerzbank's fixed-income research department believes that there is significant downside risk associated with holding 10-year bonds.

He says that once foreign investors start to take their profits in any volume - perhaps after the Bundesbank does cut its official rates again - selling pressure could put yields on such long maturities back up to 7.3 to 7.5 per cent. These bonds are likely to be most vulnerable to worries about Germany's poor fundamentals on the inflation and budget deficit front.

Mr Holschuh argues that bonds with intermediate maturities make a better investment for those investors not prepared to risk moving out of D-Mark assets at present.

Yields on bonds with three, four and five-year maturities are around 6.2 per cent and could gain most as the shape of the still inverted yield curve normalises amid further interest rate easing.

The danger of this strategy is that yields on 10-year bonds could after all climb still further, teased upwards by the Bundesbank's gradualist approach to rate cuts and the severity of the German recession.

David Waller

US MONEY AND CREDIT

Jobs data provide bonds with a dose of cold reality

IS A 6.5 per cent yield on the 30-year Treasury bond a real possibility?

For most of last week, the mood of US bond dealers seemed to suggest that it might be. It took the February employment data, which on Friday disclosed a surprisingly large increase in jobs last month, to inject a dose of cold reality into the market.

The persistent "upbeat" mood - which in the previous week had sent the long bond yield to its lowest level since 30-year bonds began to be issued regularly in the 1970s - became plain when trading began on Monday.

In spite of disruption stemming from the World Trade Center blast and some cautious comments on short-term government borrowing plans from Mr Lloyd Bentsen, the new US treasury secretary, the long bond yield had fallen to 6.84 per cent by Monday evening from 6.9 per cent at the end of the previous week.

Admittedly, there was nothing particularly alarming in Mr Bentsen's remarks; he simply indicated that there would be no "dramatic, radical shift" in the authorities' short-term borrowing plans.

Nevertheless, traders had attributed part of the long bond's price rise to expectations that the quarterly 30-year auctions would diminish signif-

icantly in scale, and this might have depressed sentiment. So, too, might the temporary absence from the market of Cantor Fitzgerald, an important brokerage firm in the bond market and one of the casualties of the WTC explosion.

But, having overcome these obstacles, the bond price rally duly continued for another three days. By Thursday evening, the long bond yield had dropped to 6.78 per cent, and yields on other Treasury issues had also declined.

At this stage, there were few specific economic numbers to account for the rise - although weaker-than-expected data on 10-day car sales may have helped. In general, the rally appeared to result from growing confidence in the non-inflationary implications of the Clinton economic plan, and even some speculation about a further easing of interest rates by the authorities.

Nevertheless, uneasiness about the speed and extent of the rally was beginning to spread among analysts - and Friday's release of the jobs numbers brought a perfect opportunity for the market to consolidate.

The numbers themselves were certainly unexpected: there was an increase of 365,000 workers on non-farm payrolls in February, about

three times the figure which pundits had been predicting, while the national unemployment rate edged down by a tenth of 1 per cent, to 7 per cent.

With the weekend to reflect, analysts appeared to be striking a cautious note.

Some pundits observed that manufacturing sector employment remains fairly weak, although it does appear that the recent pick-up in economic activity is finally translating into jobs.

Although demand and supply considerations may underpin recent bond yields, many suspect that the steam will go out of the rally.

The coming week, meanwhile, will be fairly light on new economic data. The February producer price index is due to be released on Friday, and expectations centre on a small increase - perhaps 0.3 per cent, after 0.2 per cent in January - due to higher food and energy prices.

Predictions for February retail sales figures, out on Thursday, focus on a modest 0.1 per cent increase. Individual store sales results for the month have already displayed lacklustre trading, although retailers have blamed severe winter weather in many parts of the country.

Nikki Tait

UK GILTS

Domestic buyers wary ahead of Budget

AFTER a further reduction in yields for long-dated gilts, bond specialists are starting to ask how long the good times will last.

The indications are that during February - a bumper month for gilt prices - steady demand from overseas institutions, particularly in the US and Germany, have been a big stimulant for the market.

But domestic investors are likely to be wary about any big gilt purchases before next week's Budget.

They will also be looking for any surprise weakness in the monthly figures for producer price inflation due out tomorrow.

General sentiment in the gilt market was boosted by expectations about an imminent cut in key German interest rates coupled with stronger sterling and a favourable UK inflation outlook.

A surprise 24 basis-point cut in Germany's 14-day repurchase rate announced on Friday added weight to views that the Bundesbank's decision-making council will reduce its discount and Lombard interest

UK gilts yield

Reestimated at per (%)

Feb 28, 1993

Mar 05, 1993

Source: Warburg Securities

rates at its next meeting on March 18.

The June gilt future, which broke through 107 on Friday, is thought likely to continue its recent rise.

At Friday's close, 15-year gilt yields were down about 25 basis points on the week to around 7.8 per cent in a continuation of the marked reduction in yields since late January.

According to many specialists, gilt gains are likely to lag slightly behind the German and French markets, with the

yield spread between 10-year gilts and bonds widening by just a few basis points over the next week or two.

Mr John Sheppard, an economist at SG Warburg Securities, says that the Treasury is likely to end the 1992-1993 financial year overfunded to the tune of about £4bn, due partly to a higher-than-expected surplus on the fiscal account in January.

However, much attention will focus on the public sector borrowing requirement for February, due to be announced on Budget day, which some believe could be extremely high.

Worries about the PSBR in 1993-1994 - thought likely to be at least £20bn, as opposed to the likely figure of roughly £35bn to £37bn for 1992-1993 - are likely to be a prominent feature of market operations over the next two months.

During this period gilt yields at the long end could easily rise on account of fears that a large level of funding will pull down prices.

Mr Nigel Richardson, economist at the London office of the

Japanese bank Yamaichi, is among the relative pessimists who think yields may not have much further to fall at the long end.

"I am concerned about the level of yields at this end of the curve," Mr Richardson said. "In the past three weeks there has been nothing to dent the market's view that inflation in the UK is under control. But further out we could see inflationary pressures starting to build up. The level of funding envisaged for 1993-1994 will not be a problem - as long as all the other factors are under control, of which inflation is one."

Many analysts believe that on Budget day, Mr Norman Lamont, the chancellor, will announce a new programme of gilt auctions which will ram home the implications of the large volume of funding around the corner.

It could be that after this the appreciable rally in the gilt market, which was a prominent feature of 1992, will start to peter out.

Peter Marsh

(This announcement appears as a matter of record only)

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The offering raised funds outside the United States to acquire equipment subject to leases with emerging biotechnology and biomedical companies in the United States.

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General Manager:
ABERLYN CAPITAL MANAGEMENT LIMITED PARTNERSHIP

Fiduciary Agent:
FAISAL FINANCE (SWITZERLAND) S.A., GENEVA
(A member of the Dar Al-Maal Al-Islami Group)

Participant:
ISLAMIC INVESTMENT COMPANY OF THE GULF, BAHRAIN
(A member of the Dar Al-Maal Al-Islami Group)

December 1992

Notice to Holders of Medical Care International, Inc. 6% Convertible Subordinated Debentures Due 2006

Notice is hereby given that Medical Care International, Inc. has executed a First Supplemental Indenture, dated as of February 11, 1993, supplementing the Indenture, dated as of October 21, 1991, pursuant to which the 6% Convertible Subordinated Debentures Due 2006 were issued and are outstanding. Pursuant to the First Supplemental Indenture, effective September 9, 1992, Medical Care International, Inc. assumed all obligations of Medical Care International, Inc. under the Debentures and the Indenture, and the shares into which the Debentures are convertible are now shares of the Common Stock of Medical Care International, Inc. In addition, pursuant to the First Supplemental Indenture, effective February 11, 1993, Texas Commerce Bank National Association, whose principal corporate trust office is located at 600 Travis Street, Houston, Texas 77002, U.S.A., succeeded New First City, Texas-Houston, N.A., legal successor to First City, Texas-Houston, N.A., as Trustee under the Debentures and the Indenture.

MEDICAL CARE AMERICA, INC.

Notice of Dividends in Shares and Subscription Price Adjustment



Daewoo Corporation U.S. \$150,000,000 5% Bonds due 1996 with Warrants

Notice is hereby given to the Warrant Holders of Daewoo Corporation that at a Meeting of the Board of Directors held on December 14, 1992, Daewoo Corporation resolved to declare dividends in Shares to the Shareholders registered as of 05:00 p.m. on December 31, 1992 in proportion of 0.15 Share per one Share and the payment of the dividends in Shares was approved by the Shareholders at the General Meeting of Shareholders held on February 26, 1993 and as a result of dividends in Shares the Subscription Price was decreased from Korean Won 17,248 to Korean Won 16,819 per Share effective retroactively January 1, 1993.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent
and Warrant Agent
March 8, 1993

CHASE

One Share Equals One Hundred Shares
For information, the Company has authorized the purchase of 10,000,000 shares of its common stock, which may be used for the redemption of the bonds. The Company has also authorized the purchase of 10,000,000 shares of its common stock, which may be used for the redemption of the bonds. The Company has also authorized the purchase of 10,000,000 shares of its common stock, which may be used for the redemption of the bonds.

FT/ISMA INTERNATIONAL BOND SERVICE									
U.S. DOLLAR STRAIGHTS									
ABR INTL FIN 1/8 95	100	101.12	101.12	101.12	101.12	101.12	101.12	101.12	101.12
ABR NATL 1/8 95	100	101.12	101.12	101.12	101.12	101.12	101.12	101.12	101.12
ACTA 1/2 1/									

INTERNATIONAL BONDS

Revival of investor interest in Latin America

AN APPETITE for extra yield, at a time when low interest rates are squeezing returns, has encouraged investors to return to the market for Latin American bonds. Although the market is noted for its volatility, the relatively strong economic performance of the region in the last few years has ensured a steady tightening of yield spreads relative to the US Treasury market.

The market suffered a setback at the end of last year, when oversupply caused yield margins to widen substantially. However, those wider margins, reviewed at the start of the year, started to attract investors back to the market.

The range of investors has already broadened considerably. Initially dominated by flight capital - funds invested by Colombian nationals - the market has been taken up by a growing number of specialist funds. Institutions are starting to dip their toes in the water, buying Latin American securities as a small part of large and diversified portfolios.

In the meantime, the number of sovereign borrowers able to tap the market continues to grow, as the re-entry of Latin American countries to the international capital markets progresses, in the wake of

the debt crisis of the early 1980s.

Uruguay, which completed its first Eurobond last year, is about to return to the market with a five-year deal, arranged by Chase Investment Bank, which is expected to yield about 285 basis points over the five-year US Treasury.

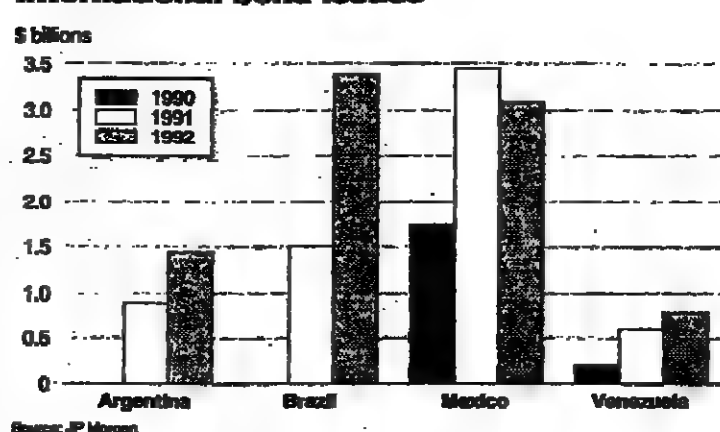
Colombia will make its debut in early April, with a \$100m issue of five or seven-year Eurobonds, via Bankers Trust. The deal for Colombia, which never rescheduled its debt, has already attracted strong investor interest, bankers said.

Some bankers believe that Peru - or a government-owned company - may also tap the market this year, after having implemented a number of economic reforms last year. Ecuador is also cited as a potential new borrower.

However, bankers have become increasingly frustrated in their efforts to bring Chilean borrowers to the market. The government has clamped down on foreign borrowing, barring banks from tapping the market and restricting all but a few companies. "Every time you get a mandate, the Chilean authorities change the rules, effectively blocking the market," complained one banker.

Chile has an active domestic mar-

International bond issues



Source: JP Morgan

ket, where funding of up to 30 years is available, but the amounts are small. In addition, banks are keen to raise dollars in the international market to on-lend to companies for their export business. However, CTC, the Chilean telecommunications company, is said to be preparing a convertible bond issue via Goldman Sachs.

Borrowers are also beginning to tap markets other than the dollar market. Venezuela is said to be planning a DM350m-DM400m issue

of five-year bonds via Commerzbank (having just issued three-year dollar bonds in the domestic Colombian market). Apasco, a foreign-owned Mexican cement company, is also planning to tap the D-Mark sector, via Dresdner, according to bankers. A number of deals are also in the pipeline in the dollar market, including issues for Argentina and Brazilian banks.

There is still some bad news about, however. Sentiment on Brazil is increasingly negative,

although last week's change of finance minister did not worry the market. Bankers are concerned about the financial position of the country and some companies, and fear the signing of the Brady plan on debt restructuring may still be some way off.

In addition, although spreads can tighten dramatically in this market, when they become too narrow the incentive to buy riskier paper disappears. In recent weeks, corporate paper, which had been trading at rather wide spreads, has prompted most interest. For example, seven-year Cemex paper tightened from 450 basis points to 350, because it was perceived to offer a high yield.

The market's volatility still scares off some investors. Part of the problem, according to some specialists, is that relatively few banks are active in this area, and they may not allocate substantial capital to dealing in Latin American bonds.

However, there are signs that more banks are deciding that Latin American business is worth getting. For example, Deutsche Bank, which has not been an active arranger of Latin American bonds, recently managed a D-Mark issue for Mexico.

Tracy Corrigan

RISK AND REWARD

An unprecedented performance by the UK's fund managers



IS measuring the performance of fund managers becoming as much an art as a science? New figures due this week from Combined Actuarial Performance Services, the Leeds-based pension fund performance measurement service, are likely to stir the debate further.

According to CAPS, the average UK fund manager outperformed the FT-A All-Share Index by a best-ever 1.3 percentage points, earning a median return of 22.4 per cent on a portfolio of UK equities against a 20.6 per cent return on the FT-A.

Meanwhile, WM Company, another pension fund measurement service, calculates that the average return generated by institutional fund managers in UK equities was 20.5 per cent, although half the funds in its survey beat the index by one percentage point or more.

The outperformance seen in the CAPS data is unprecedented, says Mr John Clapp, chief executive. Between 1982 and 1991, fund managers actually underperformed the FT-A Index in seven of 10 years by an average of 0.89 per cent. They outperformed in only three years, by a more modest average of 0.68 per cent. Similarly, the WM survey finds that fund managers had, for the first time in 1992, outperformed key indices in every stock market at home and abroad.

So what is going on? And if rates of return can be so different, what is the appropriate benchmark against which to measure performance? These questions prove particularly troublesome to pension fund consultants who guide clients into the arms of fund managers.

Mr Nick Fitzpatrick, partner at actuarial consultants Bacon and Woodrow, notes that partly because of the role of pension consultants, there has been an increasing concentration of pension funds in the hands of no more than a half-dozen fund managers with consistently good performance. Several of these - Gartmore and Phillips & Drew Fund Management in particular - widely outperformed the FT-A Index in 1992 and the outperformance of the CAPS median may well reflect the concentration of CAPS clients in the hands of these managers.

But others suggest that differences in actual fund size account for the variations in returns.

Mr Peter Worthington, marketing manager at WM, notes that his company measures returns of 2,500 funds including several in-house managed funds of more than £1bn. Because of their size, many of these maintain an actual or de facto indexed core whose returns will be much closer to that of the FT-A Index. Any outperformance will be achieved in smaller satellite funds.

In contrast, the CAPS survey covers 1,700 pension funds with an average size of £120m and only 3 per cent of which are more than £500m. These pools are more likely to eschew indexation, assigning mandates which pay performance-related fees for outperforming a benchmark.

But even if the degree of outperformance varies between measurement services, why should the active managers have done far better on average than the market as a whole?

Mr Clapp says that the small companies factor may be at work. Indexers, unlike 1992's most successful fund managers, would have been required to hold small companies "and these were dogs last year," Mr Clapp notes.

But could the underweighting in small companies spell trouble for 1993? In the first two months of this year, the FT Small Capitalisation Index rose 12.1 per cent against a 2.4 per cent rise in the FT-A.

Also, the consultants say, several of the biggest fund managers had particularly good stock selection. Gartmore, for instance, was said to have switched heavily into recovery stocks immediately after the UK left the ERM. Similarly, Phillips & Drew, with an unusually low 48 per cent weighting in UK equities, concentrated its holdings in the very large stocks which performed best.

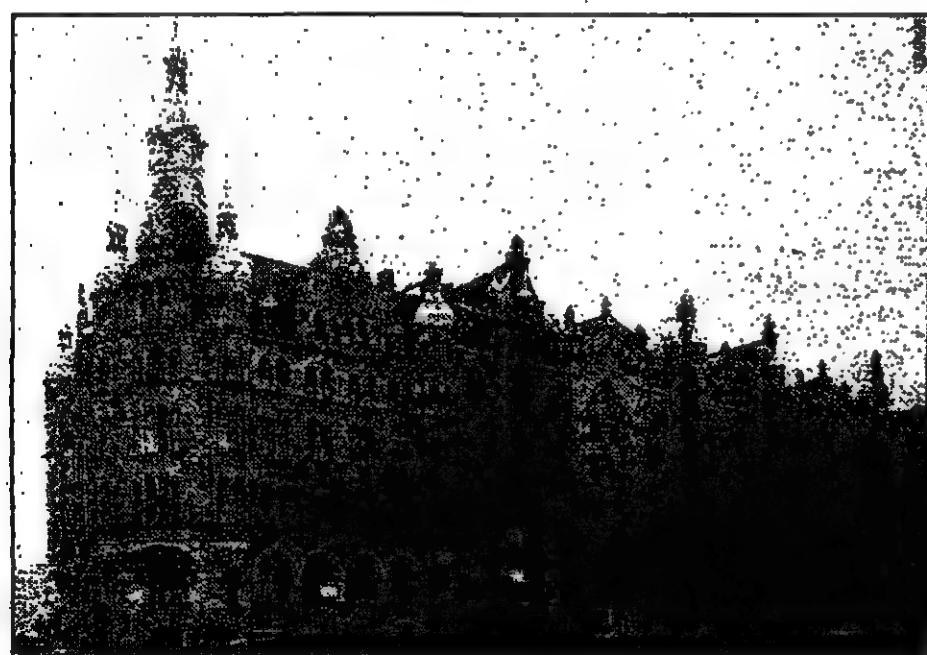
But if indices can vary so much, how is a pension fund client to decide which should be the benchmark? Mr Clapp argues that the FT-A remains a valid benchmark for indexed funds. However, perhaps it is time for performance measurement services to devise sub-categories of their own that would allow clients to compare performances more accurately.

Norma Cohen

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Dalva Seltok(a)	40	Mar.1998	5	2	100	Banca del Gottardo	-
Caslo Computer Co.(b)	350	Mar.1997	4	2	100	Dalva Europe	-
Davia Mining Co.(c)	120	Mar.1997	4	2	100	Nikko Europe	-
Eurofina(d)	100	Mar.2000	7	(g)	100	Lehman Brothers Int'l	-
CFD(e)	300	Apr.2005	12	6.25	99.77	C.Lyonnais/UBS P&D	6.276
Czech National Bank(f)	300	Apr.1998	3	(i)	100	Nomura International	(i)
Rabobank Nederland(h)	100	Mar.2000	7	(i)	99.975	Lehman Brothers Int'l	-
Openeo(i)	50	Mar.1998	5	10.5	97.185	Clibank International	11.280
YEN							
Mitsui Fudosan Co.	300m	Jun.1997	4.28	4.5	101.495	Goldman Sachs Int'l	3.913
All Nippon Airways Co.	300m	Jun.1998	3.27	4.5	101.1	Nikko Europe	4.131
Tokyo Marine Co.	100m	Jun.2000	7.27	5	101.425	Yamachi Int'l(Europe)	4.780
Toda Corp.	100m	Jun.2000	7.27	5	101.5	Nikko Europe	4.747
DSL Bank	100m	Mar.1998	4.99	4.125	101.225	Sekura Finance Int'l	3.851
Great Belt	350m	Mar.1998	5	4.25	101.1	Dalva/ Morichukin	4.227
Sumitomo Realty & Dev.	300m	Jun.1997	4.27	4.2	101.5	Dalva Europe	3.800
Sumitomo Realty & Dev.	200m	Jun.2000	7.26	4.8	101.848	Goldman Sachs Int'l	4.525
Sumitomo Realty & Dev.	200m	Jun.1998	5.26	4.5	101.475	Goldman Sachs Int'l	4.178
D-MARK							
Kingdom of Belgium	1bn	Mar.1998	5	6.375	101.7	Deutsche Bank	5.972
Komori Co.	30	Mar.1998	5	6.75	101.4	IBJ(Deutschland)	6.414
Bank of Greece	1bn	Apr.1998	5	7.75	101.8	Commerzbank	7.366
FRENCH FRANCS							
Electricite de France(d)	1bn	Dec.2002	9.7	zero	40.5	Paribas Cap.Mkts.	7.521
STERLING							
British Gas	200	Mar.2003	10	6.125	101.37	CSFB/ Goldman Sachs	7.322
British Gas	200	Mar.2003	7	7.885	101.55	CSFB/ Goldman Sachs	7.334
European Inv'tment Bank(h)	200	Jun.2003	10.24	8	100.843	Samuel Montagu	7.969
Bayerische Hypobank	150	Dec.1998	5.71	7	100.825	Deutsche/ S.Montagu	6.947
Bank Organisation(i)	100	Apr.2000	7	8.075	100.07	BZW	8.351
Commerzbank (London)	100	Dec.1998	5.75	7	101.30	CSFB	6.705

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EQUITY CAPITAL DM 1.3 billion	BUSINESS VOLUME DM 61.7 billion

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Credit Suisse First Boston UK Limited

Credit Suisse First Boston Limited

Equity Sales and Trading

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Effective 29th March, 1993

CSFB Investment Management Limited

CS First Boston Asset Management Limited

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Personnel

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Credit Suisse Financial Products

Transaction Management

Compliance

Credit

Legal

Information Technology

Financial Control

Effective 13th April, 1993

CS First Boston Global Foreign Exchange

CSFB (Gilts) Limited

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Fixed Income Research

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General Information

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Telephone: 071-516 2000

Facsimile: 071-513 1600

Facsimile: 071-513 1600

Telex: 892131 CSFB G

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700-08

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8,550	Banco Popular
3,220	Banco Santander
1,384	Guarantee

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UNIT TRU

1.70	AKCASH	93.70	184	70	Shawnte B	97	97.00	17	94.00
1.70	Akash	93.70	70	Shawnte B	97	97.00	38	Tiger	
1.70	AKZO	148.70	388	238	Shawnte B	388	14.80	Tang	

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Nippon Express	940	218	Tokai Expressway Corp.	1.10	0.77	Hanjin
Nippon Express	940	218	Tokei Expressway Corp.	1.60	0.88	Pioneer
Nippon Express	940	218	Toku Railway	2.30	2.04	Pioneer

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Midwest Zinc	530	1,362	957	Tupper Printing	1,020
Minimatus Const	1,080	898	530	Tuxco Ind	587

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JERSEY (SIB RECOGNISED)									
Fund Name	ISIN	Asset Class	Manager	YTD	1Y	3Y	5Y	10Y	15Y
ABF Fund Managers (CD) Ltd	00343633	Equity	ABF	10.2	12.5	15.8	18.1	20.3	22.5
ABF Global Growth Fund	00343634	Equity	ABF	11.5	13.8	17.1	19.4	21.6	23.8
ABF Global Income Fund	00343635	Fixed Income	ABF	8.5	10.8	13.1	15.4	17.6	19.8
ABF Global Bond Fund	00343636	Fixed Income	ABF	9.2	11.5	13.8	16.1	18.3	20.5
ABF Global Dividend Fund	00343637	Equity	ABF	12.1	14.4	17.7	20.0	22.2	24.4
ABF Global Real Estate Fund	00343638	Real Estate	ABF	13.5	15.8	19.1	21.4	23.6	25.8
ABF Global Natural Resources Fund	00343639	Equity	ABF	14.2	16.5	19.8	22.1	24.3	26.5
ABF Global Healthcare Fund	00343640	Equity	ABF	15.1	17.4	20.7	23.0	25.2	27.4
ABF Global Technology Fund	00343641	Equity	ABF	16.0	18.3	21.6	23.9	26.1	28.3
ABF Global Financial Services Fund	00343642	Equity	ABF	17.0	19.3	22.6	24.9	27.1	29.3
ABF Global Consumer Goods Fund	00343643	Equity	ABF	18.0	20.3	23.6	25.9	28.1	30.3
ABF Global Energy Fund	00343644	Equity	ABF	19.0	21.3	24.6	26.9	29.1	31.3
ABF Global Infrastructure Fund	00343645	Equity	ABF	20.0	22.3	25.6	27.9	30.1	32.3
ABF Global Environmental Fund	00343646	Equity	ABF	21.0	23.3	26.6	28.9	31.1	33.3
ABF Global Social Impact Fund	00343647	Equity	ABF	22.0	24.3	27.6	29.9	32.1	34.3
ABF Global Sustainable Fund	00343648	Equity	ABF	23.0	25.3	28.6	30.9	33.1	35.3
ABF Global Responsible Fund	00343649	Equity	ABF	24.0	26.3	29.6	31.9	34.1	36.3
ABF Global Ethical Fund	00343650	Equity	ABF	25.0	27.3	30.6	32.9	35.1	37.3
ABF Global Human Rights Fund	00343651	Equity	ABF	26.0	28.3	31.6	33.9	36.1	38.3
ABF Global Gender Equality Fund	00343652	Equity	ABF	27.0	29.3	32.6	34.9	37.1	39.3
ABF Global LGBTQ+ Fund	00343653	Equity	ABF	28.0	30.3	33.6	35.9	38.1	40.3
ABF Global Disability Fund	00343654	Equity	ABF	29.0	31.3	34.6	36.9	39.1	41.3
ABF Global Elderly Fund	00343655	Equity	ABF	30.0	32.3	35.6	37.9	40.1	42.3
ABF Global Youth Fund	00343656	Equity	ABF	31.0	33.3	36.6	38.9	41.1	43.3
ABF Global Children Fund	00343657	Equity	ABF	32.0	34.3	37.6	39.9	42.1	44.3
ABF Global Families Fund	00343658	Equity	ABF	33.0	35.3	38.6	40.9	43.1	45.3
ABF Global Communities Fund	00343659	Equity	ABF	34.0	36.3	39.6	41.9	44.1	46.3
ABF Global Societies Fund	00343660	Equity	ABF	35.0	37.3	40.6	42.9	45.1	47.3
ABF Global Nations Fund	00343661	Equity	ABF	36.0	38.3	41.6	43.9	46.1	48.3
ABF Global World Fund	00343662	Equity	ABF	37.0	39.3	42.6	44.9	47.1	49.3
ABF Global Universe Fund	00343663	Equity	ABF	38.0	40.3	43.6	45.9	48.1	50.3
ABF Global Cosmos Fund	00343664	Equity	ABF	39.0	41.3	44.6	46.9	49.1	51.3
ABF Global Galaxy Fund	00343665	Equity	ABF	40.0	42.3	45.6	47.9	50.1	52.3
ABF Global Stars Fund	00343666	Equity	ABF	41.0	43.3	46.6	48.9	51.1	53.3
ABF Global Planets Fund	00343667	Equity	ABF	42.0	44.3	47.6	49.9	52.1	54.3
ABF Global Moons Fund	00343668	Equity	ABF	43.0	45.3	48.6	50.9	53.1	55.3
ABF Global Comets Fund	00343669	Equity	ABF	44.0	46.3	49.6	51.9	54.1	56.3
ABF Global Meteors Fund	00343670	Equity	ABF	45.0	47.3	50.6	52.9	55.1	57.3
ABF Global Asteroids Fund	00343671	Equity	ABF	46.0	48.3	51.6	53.9	56.1	58.3
ABF Global Black Holes Fund	00343672	Equity	ABF	47.0	49.3	52.6	54.9	57.1</	

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

After the payroll

FOREIGN exchange dealers will focus their attention on this week's US economic indicators, following a remarkable employment report released last Friday, writes James Eklund.

The non-farm payroll report showed a rise of 365,000 in February, against market expectations of at best, 150,000. This has led dealers to think that the US economy is showing signs of maintaining its recovery from recession.

confidence will also be screened closely.

Currency trading in the European exchange rate mechanism should be calmer this week, following the Bundesbank's surprise cut in its repo rate on Friday. However, dealers will closely scrutinise the latest stage of the solidarity talks in Germany, the successful conclusion of which is seen as an important requirement for an aggressive easing of policy.

UK clearing bank lending rate 6 per cent from January 25, 1993

Some analysts were reluctant at the weekend to set too much store by this latest figure, because around 90 per cent of the rise reflects an increase in people doing part-time jobs.

The market will therefore look for further indications of an upturn in the US economy in Thursday's retail sales figures for February. The market is expecting a monthly rise of around 0.3 per cent. Friday's University of Michigan survey of consumer

The solidarity pact is unlikely to be completed for some time yet. But a successful agreement on how to divide up the cost of developing the eastern part of the country between the government and the regions could encourage the Bundesbank council to ease its official interest rates when it next meets on March 18.

OTHER CURRENCIES

Mar 5	Close	1 month	3 months	6 months	1 year
US Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Japanese Yen	100	100	100	100	100
Swiss Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Deutsche Mark	1.4465	1.4475	1.4485	1.4495	1.4505
French Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Italian Lira	1.4465	1.4475	1.4485	1.4495	1.4505
Spanish Peseta	1.4465	1.4475	1.4485	1.4495	1.4505
Portuguese Escudo	1.4465	1.4475	1.4485	1.4495	1.4505
Belgian Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Dutch Guilder	1.4465	1.4475	1.4485	1.4495	1.4505
Swedish Krona	1.4465	1.4475	1.4485	1.4495	1.4505
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Denmark Krone	1.4465	1.4475	1.4485	1.4495	1.4505
Finland Markka	1.4465	1.4475	1.4485	1.4495	1.4505
South African Rand	1.4465	1.4475	1.4485	1.4495	1.4505
South Korean Won	1.4465	1.4475	1.4485	1.4495	1.4505
Thai Baht	1.4465	1.4475	1.4485	1.4495	1.4505
Singapore Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Malaysian Ringgit	1.4465	1.4475	1.4485	1.4495	1.4505
Indonesian Rupiah	1.4465	1.4475	1.4485	1.4495	1.4505
Philippine Peso	1.4465	1.4475	1.4485	1.4495	1.4505
Chinese Yuan	1.4465	1.4475	1.4485	1.4495	1.4505
Indian Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505
Thai Baht	1.4465	1.4475	1.4485	1.4495	1.4505
Singapore Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Malaysian Ringgit	1.4465	1.4475	1.4485	1.4495	1.4505
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Indian Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505

CURRENCY MOVEMENTS

Mar 5	Close	1 month	3 months	6 months	1 year
US Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Japanese Yen	100	100	100	100	100
Swiss Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Deutsche Mark	1.4465	1.4475	1.4485	1.4495	1.4505
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Chinese Yuan	1.4465	1.4475	1.4485	1.4495	1.4505
Indian Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505

CHICAGO

Mar 5	Close	1 month	3 months	6 months	1 year
US Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Japanese Yen	100	100	100	100	100
Swiss Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Deutsche Mark	1.4465	1.4475	1.4485	1.4495	1.4505
French Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Italian Lira	1.4465	1.4475	1.4485	1.4495	1.4505
Spanish Peseta	1.4465	1.4475	1.4485	1.4495	1.4505
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Dutch Guilder	1.4465	1.4475	1.4485	1.4495	1.4505
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Denmark Krone	1.4465	1.4475	1.4485	1.4495	1.4505
Finland Markka	1.4465	1.4475	1.4485	1.4495	1.4505
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Indian Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505

NATIONAL AND REGIONAL MARKETS

Mar 5	Close	1 month	3 months	6 months	1 year
US Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Japanese Yen	100	100	100	100	100
Swiss Franc	1.4465	1.4475	1.4485	1.4495	1.4505
Deutsche Mark	1.4465	1.4475	1.4485	1.4495	1.4505
French Franc	1.4465	1.4475	1.4485	1.4495	1.4505
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Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505

FRIDAY MARCH 5 1993

THURSDAY MARCH 4 1993

DOLLAR INDEX

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POUND SPOT - FORWARD AGAINST THE POUND

Mar 5	Close	1 month	3 months	6 months	1 year
US Dollar	1.4465	1.4475	1.4485	1.4495	1.4505
Japanese Yen	100	100	100	100	100
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Indian Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Pakistani Rupee	1.4465	1.4475	1.4485	1.4495	1.4505
Bangladeshi Taka	1.4465	1.4475	1.4485	1.4495	1.4505

FINANCIAL TIMES MONDAY MARCH 8 1993

INVESTMENT TRUSTS - CONT. WEEK END

[illegible]

Gen Cont Inc.....	1001	0.5	8.45	Apr
Gen.....	1002	7.4	-	

[illegible][illegible]

Package Deal \$199.95
 Sealed Bottle \$199.95
 Turn File Ref \$199.95

[illegible]

Units	2300	1.7	38.0	Dm
Zero Off Pnt	1402			
Power Modem		0.4	0.0	0.0

Any Products	71	8.7	0.35	Jan
Any Corp On 10/10	286	-21.0%	0.13	Jan
Any Corp On 10/10	286	-21.0%	0.13	Jan
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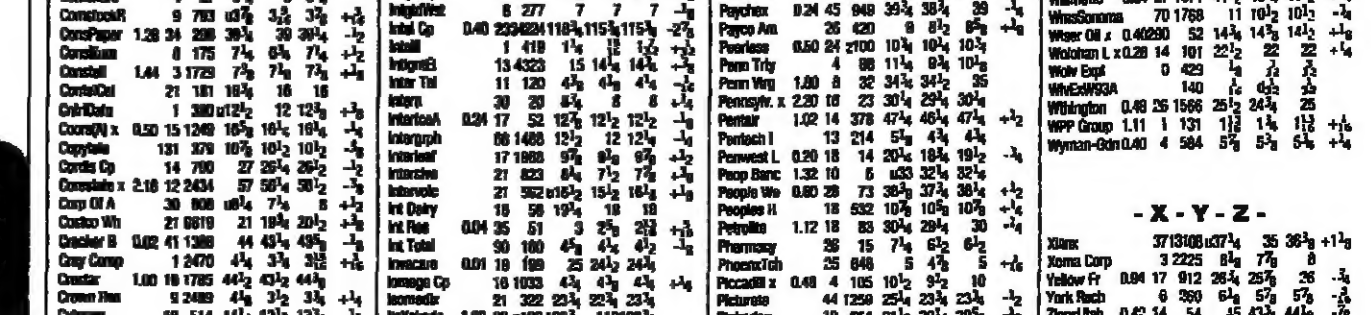
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MONDAY INTERVIEW

No time like the present

Edzard Reuter, chairman of Daimler-Benz, talks to Christopher Parkes

Edzard Reuter, chairman of Daimler-Benz, has been preaching revolution for years. Now he has decided that the time and the conditions are right for action. Off his soapbox and up in arms, he has set about transforming the strategy and culture of Germany's biggest industrial group.

"We now have the impression that the time has come when we can really implement radical changes of a dimension and kind we had perceived as necessary earlier," he says.

Appropriately enough, his more public actions have been focused on the Mercedes-Benz car division. This is to expand "horizontally" in its upmarket niche, he says. The traditional range will be extended with a leisure vehicle, a people carrier, and a new compact car below the current entry-level 190 series, and embellished with more coupé versions of the existing models.

If not quite revolutionary, he insists that the switch is nonetheless a "very courageous adaptation" which should not be seen as an attempt to clash head-on with typical full-range manufacturers. "We would never try to get our fingers into the mass production business," he promises.

In one sense, Mercedes will remain as it was: "A car producer in the upper market bracket, aiming at well-to-do customers, producing the highest-quality cars at the highest technical level - but at a price affordable to the necessary number of people." As a result, unit output will increase "quite visibly".

Strategy has changed because markets and the world have changed, he says. "Competition in our traditional market segment has increased dramatically. We have to face worldwide competition from people working on different cost assumptions and in different situations."

These are the factors steering the group's change of direction and which have obliged Mercedes in the first instance to reject the ancient dogma which insisted that its cars must always bear the "Made in Germany" label. "These additional vehicles probably have important markets outside Germany or even outside Europe. This means that for exchange rate reasons alone we needed to consider

producing abroad," he says.

Accordingly, there is a fair chance that a decision will be made later this year to build leisure vehicles in the US, Reuter adds. Meanwhile, small-scale car assembly is just starting up in Mexico. A joint venture with Ssangyong in Korea could also extend the brand's reach into new markets.

People carriers, compact cars and installing capacity close to markets are hardly new concepts, and Reuter admits Mercedes has been late to move because it was hobbled by dogma.

But that was only part of the problem, and rejection of fixed ideas is only part of Reuter's response. Throughout the group he has implemented measures to slice through the bulky bureaucracy built up since the second world war, and decentralise the entire business. "We want to give more responsibility to more people and ask them to participate in the success of the company themselves," he says.

Each move lies at the heart of the revolution which has been waiting until now to happen. Again, they are hardly new, but Reuter's ability to introduce them has been hampered in the past by the difficulties of pinpointing the moment when there was the best chance of achieving the necessary company-wide consensus - one element in German management practice which remains inviolable.

"Lean management used in this context is only a very rough description of what is going on - what we are aiming at is a change of behaviour," he says.

Postwar German attitudes to work and responsibility have been conditioned by continuous economic growth, occasionally interrupted by very short periods of slowdown, he notes. "At the same time, there has been a steady increase in well-being. That apparently has come to an end for the time being."

The arrival of recession, heralded by the group's announcement last year of the loss of almost 40,000 jobs, has fulfilled one of the conditions necessary for Daimler's domestic revolution - and possibly for sweeping changes in attitudes throughout the rest of German industry and society.

This slump's coincidence with growing awareness of the



There is a 'feeling that things have to change'

international competitive threat to Germany, plus the harsh economic realities of unification have "added to the general feeling that things have to change," he says.

Now that his strategy is clearly defined, he is talking again, taking his soapbox to every level of the company, for hours and hours... talking and taking decisions. But decisions alone are not enough," he admits. "People must under-

PERSONAL FILE

1928 Born Berlin.
1933 Moved with family to Turkey after his prominent father Ernst Reuter was persecuted by Nazis.
1946 Returned to Berlin, joined SPD.
1957 Joined Ufa film company.
1962 Joined Bertelsmann.
1964 Joined Daimler-Benz.
1976 Daimler board member.
1987 Daimler-Benz chairman.

stand the necessity to change their behaviour. I may be over-optimistic, but I think this company is on its way."

Other companies are moving, too. By the end of 1994, he says, the German motor industry will employ 300,000 fewer workers. He insists that rationalisation has to be accepted in Germany as a "normal development", but he refuses to speculate on the political implications of rising unemployment.

"All I can say is we need an economic policy aimed at growth," he says. "I despair of such action from Bonn where he sees "a vacuum caused by the sudden impact of

unification and the drama of the economic collapse". Government failure to develop convincing measures has led to politicians losing all credibility, he says. Instead, he turns hopefully to Europe. "Look at France. The economic, political and unemployment situation is at least as tense as in Germany. Look at Italy, not to mention the UK."

No individual government has been able to find answers. Protectionism is out of the question and any government trying to buy its way out of trouble by spending huge amounts of public money risks ruining its country. "There is no alternative. The answer must be that we press on to economic and monetary unification. But the Community must also talk seriously about an industrial policy. The root of our problems lies in the lack of convincing European solutions," he says.

Reuter dislikes the dirigiste ring of the term "industrial policy". But, he insists, "one will never be able to find a perfect way of running a free market without any kind of framework".

Indispensable elements would include common income and value-added tax systems, a regional policy to iron out structural economic distortions such as imbalances in employment patterns, and a joint, measured approach to research and development.

"I am talking about a market economy governed by a pragmatic, professional approach... We need further policy coordination and this can only be achieved with a common European currency," he concludes. With his unshaken belief in the capacities of European

integration and frustrated by the lack of activity and even comprehension in Bonn, Reuter appears for the moment a lonely figure. But on the basis of the popular belief that what is good for Daimler is good for Germany, and the more resounding premise that he has the full support of Deutsche Bank (Daimler's biggest shareholder) and the leading power broker across the upper reaches of German industry, he is unlikely to be short of followers for long.

An admirer describes him as "a true architect of German culture", which probably suits this modest intellectual better than the "revolutionary" tag. But like a true revolutionary, Reuter has recognised that timing is everything. Those who get it wrong - be they in politics or business - are the ones whose heads finish up in the basket.

Politics in the age of the microchip



MICHAEL PROWSE ON AMERICA

It matters that Mr Al Gore, America's vice president, cares passionately about technology. One of the peculiarities of modern politics is that most politicians spend most of their time on issues that have little or no bearing on the future prosperity of their nations. Diplomacy, for example, continues to outrank economics and finance, which in turn outrank science and technology. Yet we are living in the age of the microchip not the age of Metetrich. Since the great depression, technological change (something beyond the ken of diplomats and economists) is reckoned to have accounted for about two thirds of the rise in global living standards.

One reason for being confident about America's long-term future is the attention it is now paying to technology. The Clinton-Gore policy paper "Technology for America's Economic Growth" signals a fundamental shift in US priorities. During the cold war, technology policy was driven by a desire to maintain a military lead over the former Soviet Union. The US ploughed huge sums into two areas - basic science and defence research and development. By any standards, the policy was a resounding success. US academics head the Nobel prize lists in every category of basic science while the Pentagon enjoys a near monopoly of the world's smartest weapons.

But with US industrial dominance taken for granted, no attention was paid to economic competitiveness. Last year only 2 per cent of the \$300 billion federal R&D budget was spent on projects relevant to manufacturing industry. Total spending on civilian R&D accounted for only 1.9 per cent of national income, against 2.7 per cent in Germany and 3.0 per cent in Japan.

The Clinton administration is determined to make industrial expansion the main goal of federal technology policy. Free market economists are making the predictable response, which is that the lure of big profits will always

be the most effective spur to commercial innovation. They are correct, but they are wrong to imply there is nothing government can do to help. Many of the most important technologies of the 20th century, including computers and jet engines, were initially wholly dependent on the public purse.

The Clinton-Gore technology plan is deliberately modest in scope and seems to avoid many of the pitfalls of old-style industrial policies. It envisages additional spending of only \$170n over four years - hardly an irresponsible goal. It recognises that the military R&D machine can be wound down only gradually. The civilian share of the federal R&D budget is projected to rise from about 40 per cent to just over 50 per cent by 1998. Over time, the network of 700 federal laboratories will be expected to devote up to 30 per cent of their budgets to R&D partnership with industry, against less than 5 per cent today.

The strategy admittedly does not entirely avoid the error of trying to pick winners - Washington wants to help US industry develop new "clean car" technologies. But the single biggest boost to civilian innovation is a research and experimentation tax credit worth about \$20n a year which will not discriminate between different sectors.

There are, moreover, at least two big ideas that could pay off handsomely. The first is the national network of "information superhighways" long championed by Mr Gore. Drawing an analogy with publicly subsidised railways in the 19th century, Mr Gore believes that

huge productivity gains will be possible if all businesses, government agencies, schools and households can ultimately be linked in a national fibre optic grid. The plan is to provide modest subsidies for groups wanting to tap into such a communications network, thus giving the private sector an incentive to accelerate plans for its construction. As with the big infrastructure projects of the past, information superhighways could spur a new generation of commercial technologies.

The other big idea also draws on an historical parallel. US farms achieved huge gains in productivity this century partly as a result of agricultural "extension" services that ensured rapid dissemination of new technologies and management techniques. Building on past pilot projects, the Clinton administration wants to create a national network of manufacturing extension centres to make sure that the nation's 360,000 small and medium-sized manufacturers have access to the latest technologies and training techniques.

The Clinton-Gore plan will also promote so-called "agile manufacturing" programmes and "regional technology alliances". The idea is to use the flexible corporate relationships pioneered in dynamic regions such as Silicon Valley as a template for general industrial development. It will thus encourage the formation of regional clusters or networks of companies and research institutes to share information and jointly develop new products and markets.

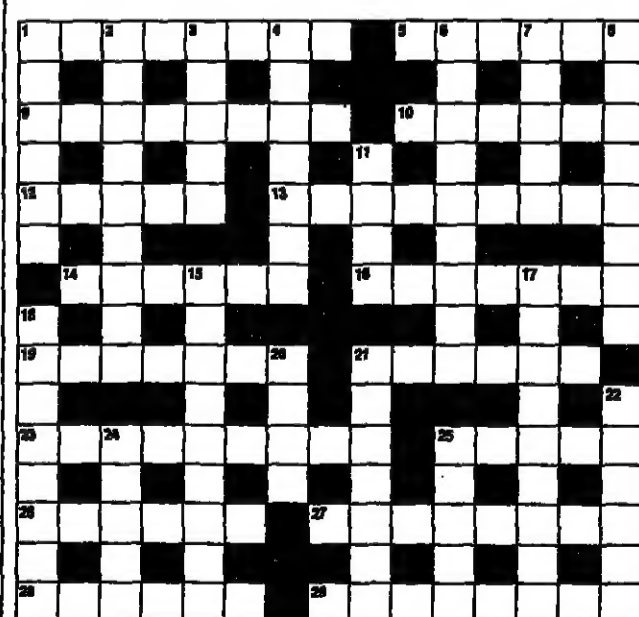
The Clinton administration's attempt to reorient US federal science and technology policy is still at the embryonic stage. But it would be a mistake to assume it will be counter-productive just because interventionist policies have a mixed record in Europe and Japan. On the contrary, what is now happening in the US may well become a model for a new breed of intelligent industrial policies - that is if politicians wake up to the importance of science.

The Pelikan's beak savours Saville Row labels, And he doodles on damask at the best of tables.

Pelikan

CROSSWORD

No.8,095 Set by ALAUN



ACROSS

- 1 Once meant a period in jail (5)
- 3 It gives the compiler severe headaches (5)
- 5 Be responsible for changing the rule (5)
- 10 Write in French "No colours" (5)
- 11 Bring back a violin that may be played (5)
- 13 Trouble there will be if you buy the infernal thing (4,3)
- 14 Leave to get a rope (5)
- 16 A popular resort and sadly so, I put it in (7)
- 17 Without an escort and of indeterminate age (7)
- 21 Goods from France on sale at the confectioner's (5)
- 22 Speeding out a number (5)
- 23 Count, perhaps, a boxer is happy to take (5)
- 24 Make copies and skedaddle (3,3)
- 27 Dig the spurs in and lashed (4,4)
- 28 Are huddled inside, out of the rain but miserable (5)
- 29 Asked to see the damn contrivance in action (5)

DOWN

- 1 Retiring also inside to have a drink (6)
- 2 The way trade fluctuations had lessened (5)
- 3 Sounds and signs that mean everything's all right (5)
- 4 Chosen to compete against, all the same (7)
- 6 Result of giving the pupils too much work (5)
- 7 In the preliminary period, taking a trip north (3,2)
- 8 Tin with brass in it (5,3)
- 11 Run away, you report, with a circus performer (4)
- 15 Taking the place of, at some stage (3,3)
- 17 A little assistance is required with the secretarial work (5)
- 18 Having had no crossed lines (5)
- 20 Stand up, the one in blue (4)
- 21 Give the musicians time to dress (7)
- 22 Went really fast but was beaten (5)
- 24 Was in the past and will be in future nervous (5)
- 25 A foreign character volunteers (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 20.

The bogeyman will be back

After the British government's latest reprieve in the interminable struggle over Maastricht in the House of Commons, it begins to look as if the treaty may eventually be ratified. If that should be the outcome - the battle is far from over - it would be a realistic but unenthusiastic expression of the balance of opinion in parliament. Many of its members dislike aspects of the treaty, but only a small minority dislike the whole thing so passionately that they welcome the opportunity to challenge Britain's membership of the European Community.

The conclusion of the ratification process would therefore be a relief all round; but it would not be the end of the story. If the government imagines that the controversy over the objectives of Maastricht will be put to sleep by ratification, it is deluding itself. Europe has long been a malicious bogeyman for the British, and it will leap right out at them again, not in some distant future, but immediately and repeatedly; and it will continue its haunting until the day (if it ever comes) when the British political establishment finally resolves its ambivalent feelings about the European Community, one way or another.

Second, the surreal procedural by-ways along which the House of Commons is crawling towards ratification must raise questions about the credibility of those very constitutional arrangements of national sovereignty which the British Euro-sceptics so fervently profess to defend.



IAN DAVIDSON ON EUROPE

king example of official procedural jiggery-pokery. The Labour party has fashioned an amendment attacking the government's opt-out from the treaty's social chapter. Through a de facto alliance between Labour and the Euro-sceptics, it looked as though this amendment might bring down the treaty. But lo and behold, the government was miraculously saved because the deputy speaker ruled that the amendment was out of order. He gave no explanation, but his reason was said to be that the amendment was unacceptable because it was critical of the treaty. This interpretation is bizarre, perverse, incredible; which does not mean that it is not true.

Even without Maastricht, the case for constitutional reform was already on the agenda, at least for the Labour party and the Liberal Democrats. Mr John Smith, the Labour leader, last week set out a long list of desirable reforms, including the election of the House of Lords, protection of human rights and freedom of information.

But Mr Smith's list also included reforms to bring Britain up to date in its consti-

tutional relationship with Europe. The restoration of strong local government, and the creation of strong regional government, may have their own domestic justification; but Mr Smith also argued the case as part of a four-tier European structure of government, of which the nation-state would be only one tier.

As it happens, the Maastricht treaty will require the establishment of a committee of the regions, to which each member state will nominate a national contingent. This will be simple for Germany, France, Spain or Italy, because they have regional governments of their own kinds. But it will be a poser in Britain, which has no regional governments in England, and only paternalistic substitutes in Scotland, Wales and Northern Ireland.

In any case, British ratification is not the end of a story, just the beginning. Before the end of this year we shall be plunged into a new debate on the objectives of the treaty; before the middle of next year, we shall be engaged in renegotiating it; and that means we shall have to go through parliamentary ratification again.

First, there is bound to be a far-reaching reassessment of the credibility of the programme for economic and monetary union. It cannot easily take place in public until there is complete ratification, for fear of frightening the voters or encouraging the speculators; but it may be precipitated if the next French government presses for an accelerated rapprochement with Germany.

Second, the negotiations for the admission of new member states, starting with the west

European candidates from Efta, are bound to set off a serious re-examination of the general objectives of the treaty, and in particular its institutional arrangements. Ostensibly, the candidates will disclaim any demand for British or Danish-type opt-outs. They can hardly avoid a debate about the treaty's long-term aims.

The institutional question will be more controversial. At present, the weighted votes in the Council of Ministers are heavily skewed in favour of the smaller member states, in comparison with their share of EC population. Officially, the Community has disclaimed any desire to change the voting weights. The candidates would join with the same votes as comparable existing members.

The problem is that all present candidates, and almost all future candidates, are small countries. The official position is really just a polite fiction which must be kept up until Denmark's second referendum on May 18. But the voting weights must be changed, because the big countries will not agree to the progressive domination of the small, especially since the political commitment of the new members is at least open to question.

In logic, the small countries should demand some political compensation for a cut in their votes; this could take the form either of a strengthening of the role of the European Parliament, or of an increase in *unweighted* majority voting. Either way, the enlargement treaty, which must be ratified in parliament, will pose a serious dilemma for the British government.

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FLOATING RATE NOTES 1997

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from March 8, 1993 to September 8, 1993 (184 days) has been fixed at 5% per annum.

The interest payable on September 8, 1993 will be US \$ 255.56 in respect of each US \$ 10,000 Note and US \$ 6,388.89 in respect of each US \$ 250,000 Note.

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